銀娛 GEG

銀河娛樂集團有限公司

Galaxy Entertainment Group Limited

Stock Code: 27

Annual Report 2010

Our Vision

Galaxy's vision is to be: Globally recognized as Asia's leading gaming and entertainment corporation. This vision will be achieved through adhering to our proven business philosophy.

Galaxy's Business Philosophy

LOCAL MARKET INSIGHTS

Leveraging Chinese heritage and deep understanding of Asian and Chinese customer preferences

PROVEN EXPERTISE

Focus on ROI (return on investment) with prudent CAPEX (capital expenditure) plan, proven construction and hotel expertise, and controlled development

WELL POSITIONED

Position Galaxy as a leading operator of integrated gaming, leisure and entertainment facilities

DEMAND DRIVEN STRATEGY

Monitor the market's developments and expand prudently in a timely manner

This annual report is printed on environmentally friendly, totally chlorine-free paper.

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CORPORATE INFORMATION

CHAIRMAN

Dr. Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA*

DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

Mr. Joseph Chee Ying Keung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

NON-EXECUTIVE DIRECTORS

Mr. Anthony Thomas Christopher Carter
Dr. Martin Clarke
Mr. Henry Lin Chen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *BBS, JP*

AUDIT COMMITTEE

Mr. James Ross Ancell *(Chairman)*
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *BBS, JP*

REMUNERATION COMMITTEE

Mr. Francis Lui Yiu Tung *(Chairman)*
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *BBS, JP*

COMPANY SECRETARY

Ms. Jenifer Sin Li Mei Wah

INDEPENDENT AUDITOR

PricewaterhouseCoopers

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SHARE REGISTRARS

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Wanchai, Hong Kong

PRINCIPAL BANKERS#

Bank of China Limited, Macau Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

listed in alphabetical order

SOLICITORS*

Jorge Neto Valente, Escritório de Advogados e Notários
Linklaters
Mallesons Stephen Jaques
Reed Smith Richards Butler
Skadden, Arps, Slate, Meagher & Flom

* *listed in alphabetical order*

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WEBSITE ADDRESS

http://www.galaxyentertainment.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited ("SEHK")

STOCK CODE

SEHK	:	27
Bloomberg	:	27 HK
Reuters	:	0027.HK
ADR	:	GXYEY

INVESTOR RELATIONS CONTACT

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CORPORATE PROFILE

Galaxy Entertainment Group Limited ("GEG", "the Company" or "the Group"), through its subsidiary, Galaxy Casino S.A., is one of Asia's leading gaming and entertainment companies. The Group develops and operates hotels, gaming and integrated entertainment facilities in the Macau SAR. In addition to this, GEG manufactures, sells and distributes construction materials through its Construction Materials Division across Mainland China, Hong Kong and Macau.

Since being granted one of the original three gaming concessions by the Macau Government in 2002, GEG has carefully correlated its growth with Macau's rapidly growing market demand. GEG's unique story and great success in Macau's gaming and entertainment industry is the result of its competitive advantage as a local operator, with a deep understanding of the Asian market, and its focus on launching new and truly innovative products that enhance Macau and its attractiveness as a whole.

Implementation of the Group's ambition to develop its entertainment business began in Macau in 2004 when GEG launched City Clubs casinos – enabling GEG to build the management team, recruit and train staff, and develop relationship with key stakeholders such as VIP promoters. These successful City Clubs casinos acted as the foundation for the future strategic direction of GEG and they continue to make a valuable contribution to the Group to this day.

In October 2006, GEG launched StarWorld, its stunning and highly successful flagship property, in the heart of the Macau Peninsula. StarWorld provides 5-star luxury entertainment, dining and lavishly designed accommodation. The VIP centric property has received numerous awards, including the highly prestigious 5-Star Diamond Award for the past 4 years. Today, StarWorld is a market leader and one of the most successful VIP casinos in the world, with strong VIP gaming, a successful mass gaming operation and near capacity hotel occupancy rates.

On the back of these considerable achievements, on 15 May 2011 GEG will be launching a new game changing integrated destination resort to the market – Galaxy Macau™. This unique property will be Macau's first Asian centric destination resort and one of the largest leisure-complexes in Asia. It has been conceived with "World Class, Asian Heart" and will offer the most diverse range of Asian themed entertainment, Asian accommodation and Asian food in Macau.

Upon the completion of Galaxy Macau™, GEG will become the only operator with flagship properties in both the gaming hub of the Macau Peninsula and the emerging, hugely important area of Cotai. Furthermore, GEG has the largest contiguous land bank in Macau approved for gaming, which the Group will develop in-line with market demand. The Group is very well positioned to capitalize on the growth potential of Macau, the world's largest gaming market.

KEY MILESTONES FOR 2010

银娱 GEG

Operations

- Record Revenue HK$19,262 million ↑ 57% YOY
- Record Adjusted EBITDA HK$2,231 million ↑ 92% YOY

Balance Sheet

- Successfully funded development activities, enhanced liquidity, lowered cost of debt and strengthened balance sheet
- Successfully completed upsized club loan of HK$9 billion
- Successfully completed upsized RMB bond issuance of RMB1.38 billion
- Completed early redemption of US dollar high yield bonds

星際酒店 StarWorld · Macau

- Record Revenue HK$16,546 million ↑ 72% YOY
- Record Adjusted EBITDA HK$2,037 million ↑ 107% YOY
- Record VIP Rolling Chip Volume HK$514,884 million ↑ 79% YOY
- Record Return On Investment (ROI) of 61%

GALAXY™ MACAU 澳門銀河

- Remains on budget and on schedule to open on 15 May 2011
- Successfully transitioning from construction to operations
- Substantial progress in interior fitting out works and external works
- Successfully recruited all senior executives

K. WAH CONSTRUCTION MATERIALS 嘉華建材

- Record Adjusted EBITDA HK$348 million ↑ 38% YOY
- Successful strategy of focusing on higher value products
- Successfully positioning the Division as one of the largest Ground Granulated Blastfurnace Slag producers in Mainland China
- Substantial growth potential

PART I: Group Financial Highlights

銀娛 GEG

Revenue

(HK$ 'm)	2009	2010	% change
Gaming and Entertainment	10,988	**18,020**	64%
Construction Materials	1,245	**1,242**	–
Group Total	12,233	**19,262**	57%

Adjusted EBITDA

(HK$ 'm)	2009	2010	% change
Gaming and Entertainment	1,001	**1,975**	97%
Construction Materials	253	**348**	38%
Corporate	(93)	**(92)**	1%
Group Total	1,161	**2,231**	92%

Key Financial Metrics

	2009	2010	% change
Net Profit Attributable to Shareholders* (HK$ 'm)	1,149	**898**	(22%)
Earnings per Share (HK cents)	29.2	**22.8**	(22%)
Total Assets (HK$ 'm)	18,963	**25,186**	33%
Gearing Ratio (%)	15	**24**	–
Share Price on 31 December (HK$)	3.21	**8.80**	174%

* A reduction in Net Profit Attributable to Shareholders was mainly because of one-time special gain/loss from bond buyback and early note redemption. Excluding those one-time items and accounting valuation of the convertible notes, Net Profit Attributable to Shareholders tripled from $0.4 billion in 2009 to $1.3 billion in 2010.

PART II: StarWorld Statistics

(HK$ 'm)	2009	**2010**	% change
Revenue	9,642	**16,546**	72%
Adjusted EBITDA	983	**2,037**	107%
Adjusted EBITDA Margin (HK GAAP)	10%	**12%**	–
Adjusted EBITDA Margin (US GAAP)	17%	**21%**	–
Return on Investment (ROI)	30%	**61%**	–

2010 Selected Gaming Statistics

(HK$ 'm)	**Turnover**	**Net win**	**Win/Hold %**
VIP Gaming	**515,000**	**14,900**	**2.9%**
Mass Gaming	**6,600**	**1,153**	**16.8%**
Electronic Gaming	**2,837**	**207**	**7.3%**

2009 Selected Gaming Statistics

(HK$ 'm)	Turnover	Net win	Win/Hold %
VIP Gaming	288,000	8,300	2.9%
Mass Gaming	6,000	940	15.4%
Electronic Gaming	2,019	139	6.9%

Chairman
Dr. Che-woo Lui
GBS, MBE, JP, LLD, DSSc, DBA

DEAR SHAREHOLDERS

I am delighted to report that 2010 was an important and hugely successful year for the Group, in terms of both earnings growth and business development. All of GEG's divisions performed well during the year, and the Group is now firmly established as one of the fastest growing entertainment businesses in Asia.

The second half of 2009 saw a rapid recovery in Asian markets, following the global financial crisis. This momentum continued strongly throughout 2010. Macau experienced surging growth and generated gaming revenues more than four times those of the Las Vegas Strip.

2010 was a year in which GEG reported an all time record Adjusted EBITDA of HK$2,231 million and made enormous progress in realising its exciting development plans in Cotai. The Group is now in a stronger position than ever before to capitalise on Macau's growth and development potential, as increased visitations and spending drive the enormous success of its gaming and leisure businesses.

GEG's flagship gaming property, StarWorld, has matured into one of the most successful gaming properties in the world. In 2010, StarWorld delivered an annualised ROI of 61%, one of the highest in the industry, and the fourth quarter represented its tenth consecutive quarter of EBITDA growth. The property also recorded an all-time record VIP volume and boasted extremely impressive hotel occupancy rates throughout the year.

The Group is now looking ahead with great excitement as the opening of Galaxy Macau™ draws ever closer. Galaxy Macau™ is now a striking landmark on the Cotai Skyline, and is on schedule and on budget for the Grand Opening on 15 May 2011. The launch of this unique and highly anticipated property will greatly promote Macau's diversification and help the Group further capitalise on Macau's surging growth.

The Group continues to place enormous importance on financial efficiency and prudence. This year, the Group successfully completed several major financial initiatives which have significantly reduced the cost of debt and enhanced the financial efficiency of the Group. These initiatives included the closing of a six-year HK$9 billion club loan to fully fund the development of Galaxy Macau™, the successful issuance of RMB1.38 billion Renminbi denominated corporate bond, which was the first of its kind from a non-financial institution to be listed on the Hong Kong Stock Exchange, and the early redemption of 2010 Floating Rate Notes and 2012 Fixed Rate Notes. These initiatives clearly demonstrate the Group's commitment to optimising value for shareholders.

MACAU MARKET REVIEW

Macau continued to experience strong growth in 2010 and reaffirmed itself as the world's largest gaming market. In 2010, Macau gaming revenues increased by 58%, compared to 2009, to approximately HK$183 billion.

Total visitor arrivals in Macau for the year rose 15% to 25 million, up from 22 million in 2009. These impressive figures support the Central and Macau Governments' initiatives to drive growth through tourism by improving the accessibility of Macau with a number of major infrastructure projects.

China's emerging middle class is becoming increasingly important to Macau's tourism and gaming industries. More than half of Macau's visitors arrived from Mainland China, a country that experienced economic growth of around 10% in 2010.

MANAGEMENT TEAM

Throughout 2010, GEG has continued to strengthen its senior management team, recruiting very senior and well respected industry figures to head the Group's operations and financial functions.

A number of exceptional individuals were recruited into senior roles during 2010 and have already helped to increase the efficiency of StarWorld and prepare for the opening of Galaxy Macau™.

In terms of the Board of Directors, following Mr. Guido Paolo Gamucci's retirement from Permira Holdings Limited at the turn of the year, he relinquished his post as a Non-executive Director of GEG on 20 January 2010. The Board extends its gratitude to Mr. Gamucci for his valuable effort and contribution to the Group during his term of appointment.

In his place, the Board welcomes the appointment of Mr. Henry Lin Chen of Permira Holdings Limited as a Non-executive Director of GEG. Henry brings substantial and valuable experience to the Group.

GALAXY MACAU™

Preparations for the Grand Opening of Galaxy Macau™ in Cotai on 15 May 2011 are now well under way. The Group expects that Galaxy Macau™ will be the only new resort destination to open in Macau during 2011 and, upon its completion, GEG will be the only operator with flagship properties in both the gaming hub of Macau's Peninsula and the rapidly emerging resort destination area of Cotai.

Galaxy Macau™ will be Macau's first Asian centric destination resort and one of the largest leisure complexes in Asia. Conceived with "World Class, Asian Heart", the property will offer the most diverse range of Asian themed entertainment, Asian accommodation and Asian food in Macau. Galaxy Macau™ will be a fully integrated resort with approximately 2,200 rooms, suites and floating villas designed specifically to meet the tastes, preferences and aspirations of Asian customers. The property is in an excellent position to capitalize on Macau's market growth and help Macau attract a new type of tourists and customers, especially the emerging middle class in Mainland China who are yet to visit Macau.

CONSTRUCTION MATERIALS BUSINESS

GEG's Construction Materials Division continued to make considerable progress and delivered a strong performance and profit contribution from its integrated activities during 2010. The Division has accelerated its expansion plans through organic growth and strategic partnerships, taking advantage of the improving economic conditions and opportunities for investments in target growth areas in Mainland China, most notably in Ground Granulated Blast Furnace Slag.

MACAU MARKET OUTLOOK

Macau's gaming market continues to experience exceptional growth, and prospects for the future remain positive. Analysts commonly predict that Macau's gaming revenue will grow in excess of 20% in 2011 as visitations to Macau increase.

The Central and Macau Governments are investing heavily in developing infrastructure and transportation which will greatly improve the accessibility to Macau and the efficiency of local transport. Large scale projects, such as the construction of high-speed rail networks and Hong Kong-Zhuhai-Macau Bridge, the expansion of border gates, the construction of a comprehensive light rail network and the expansion of ferry terminals, demonstrate the Governments' commitment to creating sustainable growth by driving domestic consumption and tourism.

The Group does not expect there to be any other major new developments opening in Macau in 2011, which puts GEG in an excellent position to take advantage of this rapidly increasing tourism demand. The Group is confident that the great success of StarWorld, coupled with the opening of Galaxy Macau™, will see GEG competing as a peer with the largest and most established names in the industry internationally.

CORPORATE SOCIAL RESPONSIBILITY

At GEG, we believe in sharing our successes with the communities that we serve. In 2010, GEG continued to make valuable contributions to the local community and wider society through a number of different types of social, philanthropic and volunteering activities. We consistently promoted responsible gaming to the public and team members through various initiatives during the year. We launched a new "Galaxy Green" Program at our new integrated resort, Galaxy Macau™, and moved closer to achieving our environmental objective of becoming the greenest resort operator in Macau. We title sponsored the 2010 Macau FIVB World Grand Prix for the 6th consecutive year and the 2010 Macau Marathon for the 7th consecutive year. During the year, GEG has created many opportunities for our team members to reach out and become involved in various community and charitable activities. In 2010, we donated approximately MOP20 million to support Macau's education and cultural developments and to help people in need.

POST YEAR-END EVENTS

On 10 March 2011, the Company announced that the Grand Opening of Galaxy Macau™, the newest and highly anticipated integrated resort destination in Cotai, will be on Sunday 15 May 2011.

To further enrich Galaxy Macau™'s entertainment offering, a new HK$600 million, 15,000 square metre entertainment facility is under construction and will open by the end of September 2011. This entertainment offering will include, among other features, Galaxy Cinema, Macau's only modern Cineplex, a 9-screen, 3D-compatible, multifunction cinema theatre with a total capacity of 1,000 seats as well as a 1,000 square metre multipurpose event plaza.

As at 31 December 2010, the outstanding amount of the Group's zero yield, zero coupon convertible notes was US$165 million, or approximately HK$1,287 million. Subsequent to year end 2010, 100% of the outstanding convertible notes were converted into approximately 173 million common shares. This has resulted in a further strengthened Balance Sheet and an increase in GEG's free-float of common shares.

CLOSING REMARKS

GEG has delivered record results last year as the Group continues to benefit from its dedication to providing "Asian Heart" service across all of its properties. Macau's surging markets have driven the unparalleled growth of its established gaming businesses and I know the whole Group will join me in expressing great excitement for the opening of Galaxy Macau™, which will be an entirely new concept and, establish a new standard in Macau's entertainment industry.

I would like to take this opportunity to extend my heartfelt appreciation to each and every one of the Galaxy team for their exceptionally hard work in what has been a phenomenal year for the Group.

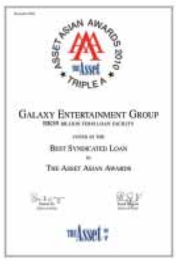
Dr Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA*
Chairman

Hong Kong, 30 March 2011

MAJOR AWARDS

Galaxy Entertainment Group:

❖ Grand Prix for Best Overall Investor Relations (small cap), IR Magazine Greater China Awards



❖ Best Syndicated Loan in Asia, The Asset Magazine

StarWorld:

❖ Five-Star Diamond Award, the American Academy of Hospitality Sciences (Fourth consecutive years)

❖ Top Ten Charming Hotel, World Hotel Continental Diamond Awards

❖ Best Gaming Hotel China, Golden Horse Award of China Hotels

❖ Top Ten Glamorous Hotels of China , China Hotel Starlight Awards

- Best Business Hotel in Macau, Golden Pillow Award of China Hotels

- Leading Hotel & Casino, Hong Kong Business Magazine High-Flyers Award

- One Star Restaurant (Macau) – Jade Garden, Michelin Guide Hong Kong and Macau (2010, 2011)
- Recommended Restaurant – Inagiku, Michelin Guide Hong Kong and Macau (2011)
- Bib Gourmand Restaurant – Laurel, Michelin Guide Hong Kong and Macau (2011)

Construction Materials Division:

- 9th Hong Kong Occupational Safety and Health Award
  - Safety Performance Award

2010
HSBC LIVING BUSINESS
Green Achievement Award
Certificate of Excellence

- HSBC Living Business Awards 2010
  - Certificate of Excellence for the Green Achievement Award

OVERVIEW

2010 was a record breaking year for GEG.

For the twelve month period ended 31 December 2010, the Group delivered Adjusted EBITDA of $2.23 billion, an increase of 92% over 2009 and an all-time yearly record. GEG concluded 2010 with its ninth consecutive quarter of EBITDA growth with an all-time record quarterly Adjusted EBITDA of $625 million in Q4, a 76% increase over Q4 in 2009. This strong financial performance was a direct result of the Group's success in capitalising on Macau's surging tourism market.

The Group's flagship property, StarWorld, reported its tenth consecutive quarter of EBITDA growth, achieving an all-time record Adjusted EBITDA of $585 million and record VIP volume of $147 billion in the fourth quarter of 2010. The property remains a market leader, delivering a ROI* of 61% in 2010, one of the highest returns of any major casino in the world.

During the year, GEG successfully completed several major financial initiatives that reduced the cost of debt from approximately 8% to currently below approximately 5%, materially enhancing the financial efficiency of the Group. These initiatives included the closing of a six-year HK$9 billion club loan, the successful issuance of RMB1.38 billion Renminbi denominated corporate bond which was the first of its kind from a non-financial institution to be listed on the Hong Kong Stock Exchange, and the early redemption of 2010 Floating Rate Notes and 2012 Fixed Rate Notes.

Galaxy Macau™ will officially open on 15 May 2011. Galaxy Macau™ will be Macau's first Asian centric integrated destination resort, and one of the largest leisure complexes in Asia. It has been conceived with "World Class, Asian Heart" and will offer the most diverse range of Asian themed entertainment, Asian accommodation and Asian food in Macau.

Macau's surging growth is set to continue with increasing visitations being facilitated by a number of major infrastructure projects that are currently under construction in Macau and Mainland China to improve accessibility and drive visitor volumes. GEG is in a very strong position to further capitalise on Macau's excellent growth prospects with its established gaming properties and the grand opening of Galaxy Macau™, which is the only major new integrated destination resort expected to open in Macau in 2011.

The Group remains entirely focused on maximising and optimizing returns, growing profitable gaming volumes and diversifying revenues into alternative leisure and hospitality streams.

* ROI calculated based on the total Adjusted EBITDA for the twelve months ended 31 December 2010 divided by the total investment, including land cost.

REVIEW OF OPERATIONS

Group Financial Results

Strong growth was maintained throughout the year.

Revenues for the 12 months ended 31 December 2010 were $19,262 million, an increase of 57% over the previous year.

Group adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) were $2,231 million for the year, an increase of 92% compared to $1,161 million for the previous year. The Group concluded 2010 with its ninth consecutive quarter of EBITDA growth; an all-time record quarterly Adjusted EBITDA of $625 million in Q4, a 76% increase over Q4 in 2009. These strong financial results reflect the Group's continued initiatives to grow profitable revenue streams and tightly control costs.

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

Net profit attributable to shareholders in 2010 was HK$898 million, in comparison to net profit of $1,149 million in 2009. A reduction in net profit attributable to shareholders was mainly because of one-time special gain/loss from bond buyback and early note redemption. Excluding those one-time items and accounting valuation of the convertible notes, net profit attributable to shareholders tripled from $0.4 billion in 2009 to $1.3 billion in 2010.

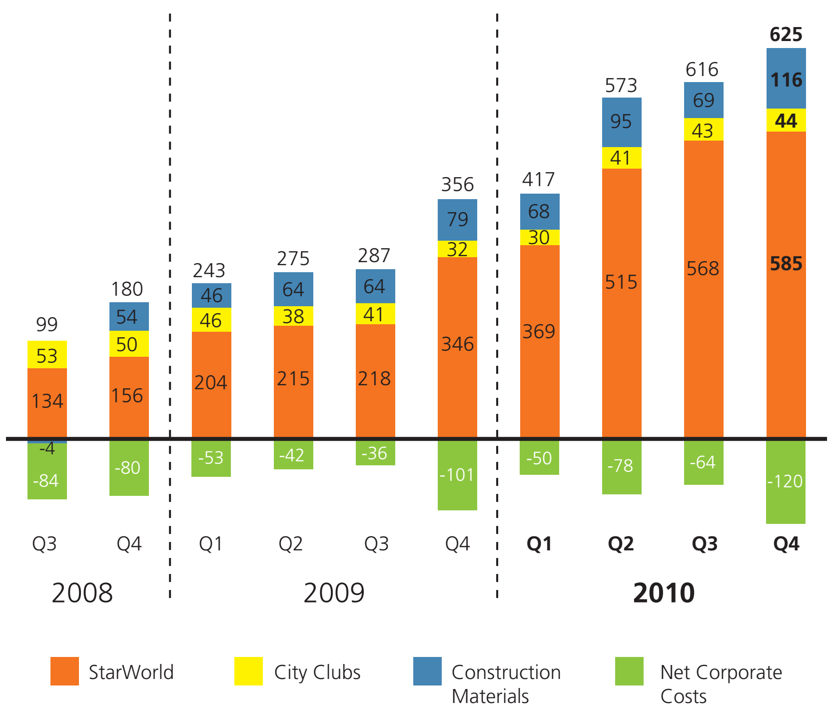
All of GEG's other businesses, including City Clubs and the Construction Materials Division, continued to perform solidly and made valuable contributions to the Group's strong results.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2010:

FY2010 (HK$ 'm)	**Gaming and Entertainment**	**Construction Materials**	**Corporate**	**Total**
Revenue	**18,020**	**1,242**	**–**	**19,262**
Adjusted EBITDA	**1,975**	**348**	**(92)**	**2,231**

FY2009 (HK$ 'm)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	10,988	1,245	–	12,233
Adjusted EBITDA	1,001	253	(93)	1,161

Group Adjusted EBITDA (HK$'m)



GAMING AND ENTERTAINMENT DIVISION

Overview of the Macau Gaming Market

The Macau market grew significantly throughout the twelve month period ended 31 December 2010, and gaming revenue increased by 58% from the previous year to $183 billion. This growth was largely due to the strong economic conditions in Asia and the significantly enhanced accessibility of Macau that has opened up the Special Administrative Region (SAR) to a larger number of tourists.

Overall visitations to Macau were approximately 25 million during 2010, an increase of 15% over 2009. The increase in visitations demonstrates the Central and Macau Government's commitment to creating sustainable growth by driving tourism, an initiative that GEG firmly supports.

StarWorld Hotel & Casino

星際酒店
StarWorld·Macau

StarWorld performed outstandingly during the year. For the twelve month period ended 31 December 2010, the Group's flagship property delivered Adjusted EBITDA of $2.04 billion, an increase of 107% over 2009 and an all-time yearly record. The property concluded 2010 with its tenth consecutive quarter of EBITDA growth with an all-time record quarterly Adjusted EBITDA of $585 million in Q4, a 69% increase over Q4 in 2009.

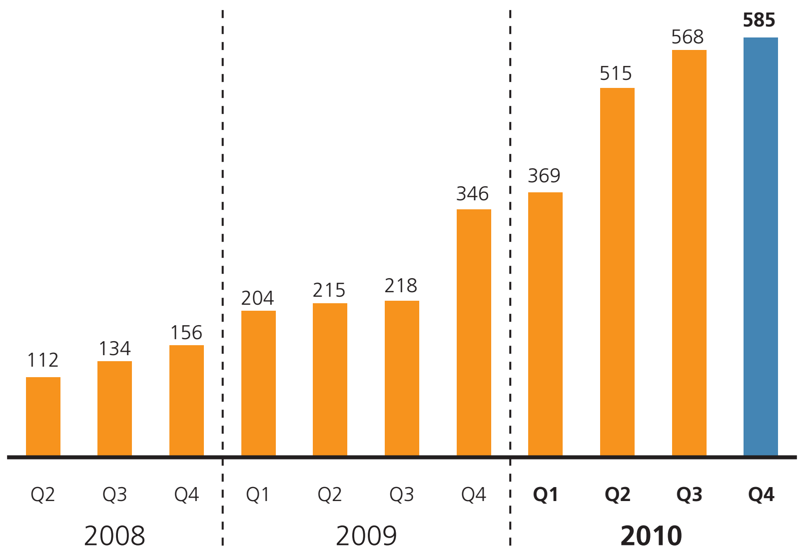
For the year as a whole, StarWorld achieved record revenues of $16.54 billion, representing a 72% increase over 2009. The impressive performance was a direct result of increased gaming volumes, which continued to be driven by the property's strong reputation and quality, excellent location in the gaming hub of the Macau Peninsula, and its commitment to Asian Heart service.

The property is a great success and delivered an impressive ROI* of 61% in 2010, which is one of the highest ROIs of any major casino in the world.

* ROI calculated based on the total Adjusted EBITDA for the twelve months ended 31 December 2010 divided by the total investment, including land cost.

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

The below chart demonstrates the progression of Adjusted EBITDA at StarWorld:



VIP Gaming Performance

StarWorld's VIP gaming performance was strong throughout the year, driven by record VIP rolling volume of $515 billion in 2010. This figure represents a 79% increase over 2009, again, outpaces Macau's market growth for VIP rolling volume, which grew 62% during 2010.

StarWorld concluded 2010 with an all-time record quarterly VIP rolling volume of $147 billion in the fourth quarter.

HK$ 'b	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
Turnover	288	102	129	137	147	515
Net Win	8.3	2.9	3.6	4.3	4.1	14.9
Win %	2.9%	2.9%	2.8%	3.1%	2.8%	2.9%

Mass Gaming Performance

StarWorld is a VIP centric property that also has a very successful mass gaming operation. Growth in mass gaming was aided by the introduction of the Galaxy Privilege Club in November 2010. This innovative loyalty programme allows players to earn and redeem loyalty points at multiple properties for gaming and non-gaming items; as well as giving its members access to complimentary benefits and special deals with Galaxy's strategic partners in the Asian Alliance Affinity Program.

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

Mass gaming table win for the twelve month period ended 2010 was $1.15 billion, representing a 23% increase over 2009. The mass gaming win rate was 16.8% for the year, up from 15.4% in the previous year.

HK$ 'm	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	**FY 2010**
Table Drop	6,000	1,500	1,500	1,800	1,800	6,600
Net Win	940	287	236	310	320	1,153
Hold %	15.4%	18.2%	14.8%	17.2%	17.0%	16.8%

Electronic Gaming Performance

StarWorld's electronic gaming business continues to be an accretive and profitable part of StarWorld's offering and had a stellar year in 2010. Electronic gaming revenue for the year was $207 million, posting 49% growth over 2009. This growth was largely due to the improved electronic gaming facilities following the upgrade of StarWorld's mass gaming floor during 2009.

The win percentage was 7.3% in 2010, and compared favourably to 6.9% in 2009. Turnover was $2,837 million compared with $2,019 million year-on-year.

HK$ 'm	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	**FY 2010**
Slots Handle	2,019	606	601	761	869	2,837
Net Win	139	46	45	50	66	207
Hold %	6.9%	7.7%	7.5%	6.5%	7.6%	7.3%

Non-gaming Performance

For the twelve month period ended 31 December 2010, StarWorld's non-gaming revenues were $298 million compared to $284 million in 2009. StarWorld's room occupancy rate was near capacity at an average of 97% for the year, and an outstanding 99% in the fourth quarter of 2010. These figures are considerably higher than DSEC's statistics for the Macau market average for five-star hotels occupancy of 79% for the year.

StarWorld Hotel is a multi award-winning property and has continued to be recognised as one of Macau's leading hotels, as evidenced by a number of industry awards gained during the year, including winning the highly prestigious Five Star Diamond Award for the fourth consecutive year.

City Clubs Performance

City Club casinos continued to make a valuable contribution to the Group. The performance of the division has improved following the restructuring of certain management agreements and a refocusing of the division's business model. City Clubs contributed $158 million in Adjusted EBITDA to the Group during the twelve month period ended 31 December 2010. GEG continues to prudently manage the business to ensure sustained profitability.

CONSTRUCTION MATERIALS DIVISION

K. WAH CONSTRUCTION MATERIALS
嘉華建材

The Construction Materials Division (CMD) continued to make considerable progress, delivering a strong performance and valuable profit during 2010. The successful strategy of focusing on higher value products, such as slag, and the growth of joint ventures in Mainland China contributed to the Division reporting Adjusted EBITDA of $348 million in 2010, a 38% increase from $253 million in 2009.

Mainland China

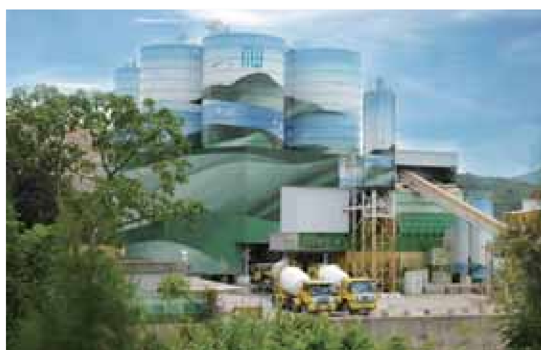
The Mainland China profit contribution from our joint ventures in the manufacturing and sale of Ground Granulated Blast-Furnace Slag continues to increase and the completion of four new slag grinding facilities were all delivered as planned. With a number of facilities still under construction and targeted for commercial production during 2011, the Division's strategy to invest in slag, an increasingly recognised environmentally sustainable construction material, will continue to drive growth.

The Division's cement joint ventures in Yunnan Province achieved an improved performance in 2010; benefiting from the general improvement in economic conditions, continuing operational efficiencies, and the strengthening of market positions; operating margins exceeded expectations.

In Shanghai, our Ready Mixed Concrete business faced a difficult operating environment with a softening in demand for concrete as most construction activities were strictly controlled during the World Expo 2010. We expect normal market conditions and operations to resume in 2011 with the conclusion of the Shanghai World Expo.

Hong Kong and Macau

Due to the government's increased spending on infrastructure works following the 2008 financial tsunami and the general recovery in economic growth, CMD's positioning as the leading vertically integrated materials supplier in Hong Kong enabled the business to deliver a solid performance, with improvements over last year in both sales volumes and profit.



In Macau, construction activities remained subdued in the first half of 2010, but Q3 saw the expected signs of a gradual pick up, particularly in residential construction activity.

DEVELOPMENT

Galaxy Macau™ has announced the Grand Opening to be on 15 May 2011. Galaxy Macau™ is Macau's first Asian centric destination resort. This is embodied by a focus on Asian hospitality, Asian tastes, Asian sensibilities and Asian design influences. The resort is designed to attract visitors from around the region, as well as international guests seeking an authentic Asian resort holiday experience.

The 550,000 square metre fully integrated destination resort will feature the most luxurious of accommodation from three of the World's leading hotel brands; the ultra exclusive Banyan Tree Macau, which will offer approximately 250 suites and 10 floating villas; the 500-room Hotel Okura Macau; and the luxurious 1,500-room Galaxy Hotel, which will become GEG's flagship Cotai hotel.

The resort will cater for mass gaming, direct premium gaming, electronic gaming and VIP customers. With capacity for more than 600 gaming tables and 1,500 electronic gaming machines, and more than 50 predominantly Asian food and beverage outlets, Galaxy Macau™ is tailored to the needs of Asian consumers and discerning guests who appreciate superior Asian service standards.

At a total investment of HK$14.9 billion, Galaxy Macau™ offers a number of game-changing features and amenities. Most prominent of these is the property's 52,000 square metre resort deck, where a man-made beach with 350 tonnes of white sand deposited along a 150 metre long shoreline frames the world's largest skytop wave pool, covering 4,000 square metres with waves reaching as high as 1.5 metres.

As at 31 December 2010, the Group invested HK$9.0 billion into Galaxy Macau™.

GROUP FINANCIAL EFFICIENCY INITIATIVES

GEG successfully executed four major financial initiatives in 2010, materially enhancing the financial efficiency of the Group. The cost of debt was significantly reduced by approximately 300 basis points from approximately 8% to currently below 5%. GEG now has one of the lowest costs of debt in the industry.

On 14 June 2010, the Group announced the closing of the six-year HK$9 billion club loan from a consortium of Asia's leading banks. The club loan fully funds the development of Galaxy Macau™ in Cotai, Macau. The pricing of the club loan and the status of the banks involved are a clear endorsement of both the Group's existing and future plans, and the strength and potential of the Macau market.

In December 2010, GEG seized an opportunity to cost effectively enhance its liquidity and strengthen its balance sheet through the innovative issuance of RMB denominated corporate bonds, which was the first of its kind from a non-financial institution to be listed on the Hong Kong stock exchange. The three year fixed-rate unsecured notes carry a competitively priced interest rate of 4.625% and raised RMB1.38 billion. The successful issuance was more than 13 times oversubscribed and boosted the financial flexibility of the Group's non-gaming businesses, created additional general working capital and reflected a strong vote of confidence in Galaxy.

During the year, all of the outstanding guaranteed senior floating rate notes due 2010 ("Floating Rate Notes") and 9.875% guaranteed senior notes due 2012 ("Fixed Rate Notes") were fully redeemed. The Floating Rate Notes in the principal amount of US$105.9 million were redeemed on 14 January 2010 at a redemption price of 100% of the principal amount after the exercise of optional redemption right on 14 December 2009. The Fixed Rate Notes in the principal amount of US$281.2 million were redeemed on 24 May 2010 at a redemption price of 104.938% of the principal amount after the exercise of optional redemption right on 23 April 2010.

POST YEAR-END EVENTS

On 10 March 2011, the Company announced that the Grand Opening of Galaxy Macau™, the newest and highly anticipated integrated destination resort in Cotai, will be on Sunday 15 May 2011.

To further enrich Galaxy Macau™'s entertainment offering, a new HK$600 million, 15,000 square metre entertainment facility is under construction and will open by the end of September 2011. This entertainment offering will include, among other features, Macau's only modern Cineplex, a 9-screen, 3D-compatible multifunction cinema theatre with a total capacity of 1,000 seats, as well as a 1,000 square metre multipurpose event plaza.

As at 31 December 2010, the outstanding amount of the Group's zero yield, zero coupon convertible notes was US$165 million, or approximately HK$1,287 million. Subsequent to year end 2010, all of the outstanding convertible notes were converted into approximately 173 million common shares. This has resulted in a further strengthened Balance Sheet and an increase in GEG's free-float of common shares.

GROUP OUTLOOK FOR 2011

GEG remains very confident about the outlook for 2011 and beyond. The Macau market is already demonstrating impressive growth early in 2011, and the consensus of gaming analysts is that gaming revenue will continue to grow in excess of 20% during 2011 as visitations to Macau increase.

A number of major infrastructure projects are currently under construction in Mainland China and Macau that will further improve the accessibility of Macau and drive an increase in tourist arrives. These improvements demonstrate the Central and Macau Governments' commitment to creating long-term, sustainable growth by driving both domestic consumption and tourism in the SAR.

2011 will be an historic year for the Group with the Grand Opening of Galaxy Macau™ on 15 May, 2011. This new and exciting property will allow GEG to further leverage Macau's growth as we see a new type of customers visiting Macau, especially the emerging middle class in Mainland China yet to visit Macau.

In addition, with the opening of Macau's first Banyan Tree and Okura, Galaxy Macau™ will offer well recognised and respected luxury hotel brands to visitors from Southeast Asia and North Asia.

GEG expects that Galaxy Macau™ will be the only new integrated destination resort to open in Macau in 2011 and, upon its completion, GEG will be the only operator with flagship properties in both the gaming hub of Macau's Peninsula and the rapidly emerging destination resort area of Cotai. Furthermore, the Group owns the largest contiguous landbank approved for gaming in Macau, and is well advanced with its plans for future development.

The Group is extremely well positioned to continue its exciting development as it grows into one of the largest entertainment businesses in Asia.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 31 December 2010 were $9,197 million, an increase of approximately 13% over that as at 31 December 2009 of $8,169 million while the Group's total assets employed increased to $25,186 million as at 31 December 2010 as compared to $18,963 million as at 31 December 2009.

The Group continues to maintain a strong cash position. As at 31 December 2010, total cash and bank balances were $4,428 million as compared to $3,516 million as at 31 December 2009. The Group's total indebtedness was $9,426 million as at 31 December 2010 as compared to $5,843 million as at 31 December 2009. The gearing ratio, defined as the ratio of total borrowings outstanding less cash balances to total assets (excludes cash balances), was 24% as at 31 December 2010 (31 December 2009: 15%).

The total indebtedness of the Group mainly comprises bank loans, convertible notes, Renminbi bonds and other obligations which are largely denominated in Hong Kong Dollar, United States Dollar and Renminbi. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

The Group's liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments, working capital requirements and future asset acquisitions.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollar, United States Dollar, Renminbi or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in either Hong Kong Dollar, United States Dollar or Renminbi. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of $11,497 million (2009: $15 million), leasehold land and land use rights with net book value of $2,961 million (2009: $209 million), other assets with net book value of $245 million (2009: nil), bank deposits of $59 million (2009: $54 million) and shares of certain subsidiaries have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to $10,001 million (2009: $855 million), of which $5,278 million (2009: $250 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to $9 million (2009: $9 million). At 31 December 2010, facilities utilised amounted to $9 million (2009: $9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group, excluding associated companies and jointly controlled entities, employed around 7,700 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to $1,300 million.

Remuneration Policy

The objective of the Group's remuneration policy is to attract, motivate and retain talented employees to achieve the Group's long-term corporate goals and objectives. To this end, the Group is committed to remunerating its employees in a manner that is market competitive, consistent with good industry practices as well as meeting the interests of shareholders.

The Group's remuneration structure for its employees comprises fixed compensation, performance-based variable incentive and long-term incentive. The overall remuneration arrangements are fair and justified, prudent and subject to regular review.

Share Option Scheme

The Group operates a share option scheme for its employees. It serves to attract, motivate and retain employees to work for the Group long term and to better align the interests of the employees with the shareholders' interests. The number of share options granted to the eligible employees is determined with reference to the value of share options, market positioning, job seniority and the individual contribution to the Group.

Organization Development and Training

Our employees are the most valuable asset of the Group and the talents and contributions of each individual are critical to our continuing success and achievement of our Mission, Vision and Values. We are committed to the development and growth of all employees and consider training and development a life-long process. We offer ongoing personal and professional development opportunities to employees beginning with our new hire orientation program and progressing to the delivery of technical and leadership training programs designed to assist employees in achieving competency and professionalism in their jobs while instilling a culture of continuous improvement.

Our organization development and training programs focus on the key elements that are critical to long term success of the Group:

1. **Internal Capacity Building** — creating a corporate-wide organization development and training team capable of delivering core personal and professional development programs in support of operational excellence and business opportunities across the organization.

2. **Corporate Culture** — communication, reinforcement and integration of our Mission, Vision and Values to establish a corporate culture that clearly differentiates the Group as a leading Asian gaming and entertainment company.

3. **Program Development and Customization** — four primary areas of focus:

   A. **Core Programs** with a focus on our Mission, Vision and Values, orientation and Galaxy STAR Service programs, identification and prioritization of training on key competencies that drive employee performance.

   B. **Leadership Development** with a focus on the development and delivery of supervisory/management skills programs to support our Galaxy Leadership Competencies, implementation of a Leadership Development strategy and delivery of performance management initiatives aligned with our Values and organizational goals.

   C. **Organizational Effectiveness** with a focus on internal communications, implementation of succession management, enhancement of our performance management programs, ongoing refinement of our business processes and procedures and design of quality assurance initiatives to measure and drive continuous improvement of our internal and external guest service.

   D. **Galaxy Macau™** with a focus on the delivery of core curriculum for technical skills and leadership training, ongoing personal and professional development programs and implementation of customized training programs that support and drive our "World Class, Asian Heart" Galaxy Macau™ Service Culture.

Our organization development and training programs establish direction for the Group with respect to investment in and utilization of our human resource capital. We are excited about continuing our success as one of the leading destinations for entertainment and hospitality in Macau. In our ever increasing competitive environment, we are committed to building on the talent and expertise of our employees to ensure our continued growth and development as a leading Asian gaming and entertainment company providing exceptional experiences to our guests.

The Company is committed to high standards of corporate governance. We have a well-balanced corporate governance system which sets the framework for the Board of Directors ("Board") to manage the Company efficiently, to enhance shareholders' value and to care for the community as a good corporate citizen, with a high level of transparency and accountability to shareholders. The Board has applied the principles in the Code on Corporate Governance Practices ("Code") set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

THE BOARD

The Company is headed by the Board, which is responsible to lead and control the Company and its subsidiaries ("Group") and promote the success of the Group by directing and supervising the Group's affairs in an effective manner. The Board sets strategies and priorities for the Company, approves annual budgets and performance targets, determines the appropriate management structure, and monitors the performance of the management. The names and biographical details of the Directors and their relationships are set out in Further Corporate Information on pages 39 to 41 as well as the Company's website at www.galaxyentertainment.com.

Chairman, Deputy Chairman and Managing Director of Business Division

The roles of the Chairman of the Board, the Deputy Chairman of the Board and the Managing Director of the Construction Materials Division are segregated and are not exercised by the same individual.

The Chairman provides leadership for the Board and manages the Board ensuring that it works effectively and discharges its responsibilities, and that all key issues are discussed and addressed to in a timely manner. The Deputy Chairman supports and assists the Chairman in performing the above works and, together with the Managing Director of the Construction Materials Division, develop strategic operation plans to implement the Company's set strategies and priorities, and lead and oversee the day-to-day management of the Group's business.

Board Composition

The Board has a balanced composition of four executive and six non-executive Directors (including three independent non-executive Directors). The skill-sets of the Board are determined and regularly reviewed on the basis that members of the Board as a whole possess all-rounded business and professional skills essential to manage a successful sizeable enterprise and to support continuous growth. In addition to our executive Directors' substantial experience in the Company's business, our Directors have a mix of corporate management and strategic planning, investment, finance, legal and corporate governance experience and qualifications. In fulfilling their roles and duties, our Directors provide balanced and independent views to the Board, exercise independent judgement and play a check and balance role on the Board's decisions, particularly on matters that may involve conflict of interest.

Non-executive Directors are appointed for a specific term. Mr. James Ross Ancell, Dr. William Yip Shue Lam, Mr. Anthony Thomas Christopher Carter and Dr. Patrick Wong Lung Tak were appointed for a fixed term of three years pursuant to their service contracts, which may be extended by another three-year term. Dr. Martin Clarke and Mr. Henry Lin Chen were appointed pursuant to an Investors' Rights Agreement, details of which were included in the circular of the Company dated 5 November 2007, and are subject to retirement by rotation and re-election pursuant to the Company's Articles of Association.

Appointment and Re-election of Directors

There is a formal, considered and transparent procedure for the appointment of new Directors to the Board. Candidates to be recommended and selected are those who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence to a standard required of for listed companies' directors. The ability to provide balanced and independent views and exercise independent judgement and to devote sufficient time and attention to the Company's affairs is an additional criterion for selecting non-executive directors.

On 20 January 2010, Mr. Henry Lin Chen was appointed by the Board as a non-executive Director. In the appointment process, the proposal for appointment together with detailed information on his educational and professional qualifications and the relevant working experience was submitted to the Board for decision.

Changes in the Board members during the year are set out in the Report of the Directors on page 43.

Confirmation of Independence

All independent non-executive Directors have met all of the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received from each of them an annual written confirmation of their independence and considers each of them to be independent.

Responsibilities of Directors

Each Director has a duty to act in good faith in the interests of the Company. The Company believes that to enable our Directors to provide their maximum contributions, it is essential to keep them updated on their duties and responsibilities as well as the conduct, business activities and development of the Group. To this end, the Company has a set of comprehensive induction materials for new Directors and has from time to time arranged for site visits to certain important operations of the Group for Directors. Timely updates on legislative and regulatory changes and corporate governance development relevant to the Group and appropriate information on the Group's business and activities are provided to our Directors on a regular basis. All Directors have access to the management and Company Secretary for any information relevant to the Group they require in discharging their duties. Reports on the Company's performance and comparison with budget together with the necessary commentary and explanation on any deviation from budget are provided to our Directors at regular Board Meetings.

The Company has in place directors and officers liabilities insurance cover to indemnify our Directors against claims and liabilities arising out of the Group's business and activities.

Code of Conduct for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirms that our Directors have complied with the required standard set out in the Model Code.

The Board has also established written guidelines on no less exacting terms than the Model Code to be observed by relevant employees of the Group who, because of their offices or employments, are likely to be in possession of unpublished price sensitive information in relation to the Group or the securities of the Company in respect of their dealings in the securities of the Company.

DELEGATION BY THE BOARD — BOARD COMMITTEES

The Board has proper delegation of its powers and has established appropriate Board Committees, with specific written terms of reference which deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. Sufficient resources, including the advice of the external Auditor and independent professional advisers, are provided to the Board Committees to enable them to discharge their duties.

Executive Board

The Board has delegated the power, authorities and discretions for the management of the Group's operations and activities to a formally established Executive Board constituted by all executive Directors of the Company. The Executive Board reports to the Board and causes its resolutions circulated to the Board on a quarterly basis. Certain matters are specifically reserved for approval by the Board, including annual budgets and accounts, dividends and distribution to shareholders, increase of share capital and allotment of new shares, derivative tradings, connected transactions subject to disclosure and/or shareholders approval requirements, and acquisitions, disposals, investments, financing and charging of assets above certain predetermined thresholds.

In respect of the decision making process, Levels of Authority for management have been formally approved by the Executive Board and management submits written proposals with detailed analysis (both financial and commercial) and recommendations to the Executive Board for consideration and approval, in accordance with those Levels of Authority. Where the subject matter exceeds the authority of the Executive Board or relates to any matters specifically reserved to the Board as aforesaid, it would be submitted to the Board for approval.

The Executive Board sub-delegates the day-to-day management, administration and operations functions to executive committees of the gaming and entertainment division and the construction materials division and where appropriate, special task forces charged with specific responsibilities to oversee particular business activities or corporate transactions.

Audit Committee

The Audit Committee of the Company has been in place since 1999. All three members are independent non-executive Directors. Mr. James Ross Ancell is the Chairman and Dr. William Yip Shue Lam and Dr. Patrick Wong Lung Tak are members.

The Audit Committee is accountable to the Board and assists the Board to oversee the Company's financial reporting process and internal control and risk management systems and to review the Group's interim and annual financial statements. The Audit Committee has access to and maintains an independent communication with the external Auditor and management. The role and function of the Audit Committee are set out in its written terms of reference which are posted on the Company's website.

The Audit Committee met with the attendance of the Group Chief Financial Officer, the Financial Controller, the Company Secretary and the external Auditor. The Audit Committee submitted its written report to the Board after each Audit Committee Meeting, drawing the Board's attention to important issues that the Board should be aware of, identifying any matters which it considered action or improvement was needed and making appropriate recommendations.

The principal work performed by the Audit Committee during the year included review of interim and annual financial statements, review of other financial and internal control matters.

Remuneration Committee

The Remuneration Committee of the Company has been in place since early 2006. It comprises three members, Mr. Francis Lui Yiu Tung as the Chairman and two independent non-executive Directors, Dr. William Yip Shue Lam and Dr. Patrick Wong Lung Tak.

The Remuneration Committee is accountable to the Board and assists the Board to regularly review and formulate fair and competitive remuneration packages in order to attract, retain and motivate Directors of the quality required to run the Company successfully. The role and function of the Remuneration Committee are set out in its written terms of reference which are posted on the Company's website.

The Remuneration Committee met with the attendance of representatives from the human resources department and the Company Secretary. The Remuneration Committee submitted its written report and/or recommendation to the Board after the Remuneration Committee Meeting.

The principal work performed by the Remuneration Committee during the year included recommendation of Directors' fee subject to approval of shareholders at the annual general meeting, review and approval of remuneration packages and grant of share options to directors.

BOARD AND BOARD COMMITTEE MEETINGS

The Board schedules regular Board Meetings in advance to give Directors the opportunity to participate actively. Directors are consulted for including matters in the agenda for regular Board Meetings. Special Board Meetings are convened as and when needed. Minutes of the Board and Board Committee Meetings are kept by the Company Secretary and are made available to all Directors.

Directors' attendance at the Board and Board Committee Meetings held in 2010 are set out in the following table:

Number of Meetings	Board Meetings (4)	Audit Committee Meetings (2)	Remuneration Committee Meeting (1)
EXECUTIVE DIRECTORS			
Dr. Che-woo Lui	4/4	—	—
Mr. Francis Lui Yiu Tung	4/4	—	1/1
Mr. Joseph Chee Ying Keung	4/4	—	—
Mrs. Paddy Tang Lui Wai Yu	4/4	—	—
NON-EXECUTIVE DIRECTORS			
Mr. Anthony Thomas Christopher Carter	4/4	—	—
Dr. Martin Clarke	3/4	—	—
Mr. Henry Lin Chen	4/4	—	—
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. James Ross Ancell	4/4	2/2	—
Dr. William Yip Shue Lam	4/4	2/2	1/1
Dr. Patrick Wong Lung Tak	4/4	2/2	1/1

FINANCIAL REPORTING

The Board is accountable to the shareholders and is committed to presenting comprehensive and timely information to the shareholders on assessment of the Company's performance, financial position and prospects.

Directors' Responsibility

The Directors acknowledge that their responsibilities for preparing the financial statements of the Company are to give a true and fair view and comply with all applicable regulatory requirements and accounting standards. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected appropriate accounting policies and applied them consistently, and made judgements and estimates that are prudent and reasonable. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 31 December 2010. Accordingly, the Directors have prepared the financial statements for the year ended 31 December 2010 on a going concern basis.

Throughout the year, the Company has devoted sufficient resources and maintained adequate qualified and experienced staff responsible for the accounting and financial reporting function.

Auditor's Responsibility

The external Auditor of the Company is PricewaterhouseCoopers, Certified Public Accountants. A statement by the Auditor about their reporting responsibilities is included in the Report of Independent Auditor on the Company's financial statements on pages 53 and 54.

In arriving at their opinion, the external Auditor conducts full scope audit without any restrictions and has access to individual Directors (including Audit Committee members) and management of the Company.

Auditor's Remuneration

Fees for auditing services and non-auditing services provided by the external Auditor for the year ended 31 December 2010 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK$418,000 for the services provided in respect of taxation and consultancy services.

INTERNAL CONTROLS

The Board is committed to implementing an effective and sound internal control systems to safeguard the interest of shareholders and the Group's assets.

The internal control systems include a well defined management structure with limits of authority, clear and written policies, standard operation procedures, and risk control self-assessment conducted for all major operating units of the Group. The systems are designed to provide reasonable assurance of no material mis-statement or loss and to manage risks failure in operational systems and achievement of the Group's objectives.

The internal audit function provides independent assessment to the Board and executive management as to the adequacy and effectiveness of the internal controls for the Group on an on-going basis. Internal Audit Department adopts a risk based audit methodology in designing the annual internal audit plan which is approved by the Audit Committee. During the year, Internal Audit Department has performed operational and financial reviews with objectives to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

The Internal Audit Department reports audit findings and whether the agreed recommendations are properly followed up to Audit Committee twice a year. Internal Audit Department was not aware of any significant internal control issues that would have been an adverse impact on the financial position or operations of the Group.

For the financial year ended 31 December 2010, the Board, through the review of the Audit Committee, considered the internal control systems of the Group were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTMENT COMMUNITY

The Company places a great deal of importance on timely, accurate and transparent communication with shareholders and the investment community.

In addition to publishing interim and annual results in accordance with the Listing Rules requirements, the Company is one of the few Hong Kong listed companies to voluntarily release unaudited key financial information on a quarterly basis to enable stakeholders to better assess the performance of the Group.

The Company's website www.galaxyentertainment.com is also a valuable tool for investors and contains a dedicated investor relations section offering timely and direct access to our financial reports, corporate announcements, press releases and other business information.

During the year IR Magazine in association with Barrons surveyed approximately 4,000 Fund Managers and GEG was nominated in the top four corporates for "Best investor relations by an Asia-Pacific company in the US market".

Additionally, GEG was awarded "Grand Prix for Best Overall Investor Relations for Small Cap" in Greater China.

COMPLIANCE WITH THE CODE

Throughout the year under review, the Company has complied with the code provisions in the Code, except code provisions A.4.2 and E.1.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company and the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

According to code provision E.1.2, the Chairman of the Board should attend the annual general meeting. The Chairman was unable to attend the annual general meeting held on 22 June 2010 and the Deputy Chairman took the chair and together with the other directors answer questions from the floor. The Board considered that the purpose to achieve an effective communication with the shareholders was not compromised.

GAMING AND HOSPITALITY EXPERTISE

GEG is committed to recruiting and retaining the very best management and employees and will continue to strengthen our gaming and hospitality executive team as we move forward and continue to build GEG to be a leading Asian gaming and entertainment company.

An indicative profile of the depth of our executive talent in our gaming and hospitality team is detailed below:

Michael Mecca, President and Chief Operating Officer. He has a long and distinguished career in leadership roles with a number of globally recognized gaming and hospitality brands. He was the former President and Chief Executive Officer of Planet Hollywood, Las Vegas. He has also held senior executive roles with Station Casinos Inc., Las Vegas, Mandalay Resorts Group, Las Vegas, Crown Limited, Melbourne and Caesars World, Inc., Las Vegas.

Robert Drake, Group Chief Financial Officer. He was the former Vice President, Finance for the Western Division of Harrah's Entertainment Inc., Las Vegas, primarily responsible for the financial reporting of 13 properties in Nevada including Caesars Palace, Paris and Flamingo in Las Vegas. He has extensive experience in corporate finance, investment banking activities such as mergers and acquisitions, financial management, as well as domestic and international business development activities within the gaming industry.

Heinz Roelz, Director, Hotels & Hospitality. He was formerly Executive Vice President, Stanford Hotels International and graduated from hotel management schools in Germany and in the USA, accumulated more than 47 years experience in hotel development and operations in Germany, Switzerland, Indonesia, Mainland China, Bermuda, the USA and Hong Kong.

Baschar Hraki, Director, Project Development. He was the former Executive Vice President, Macao Studio City in charge of a mega project development in Macau. He is a qualified architect with extensive international experience in design, and construction management of large and complex projects including hotels, resorts, theme parks, entertainment centres, residential developments, shopping centers and sports stadiums in Asia, Europe, Middle East and the USA.

Gabriel Hunterton, Chief Operating Officer, StarWorld. He has an intense and diverse gaming career spanning 13 years in Las Vegas and Macau. He was the former Senior Vice President of Business Development of MGM Grand Macau. He has also held management roles with Treasure Island Hotel Casino, Las Vegas, Mirage Hotel Casino, Las Vegas and Bellagio Hotel Casino, Las Vegas.

John Au, Director, Business Development. He has been with the Group for over 17 years and he was one of the key members in the Galaxy pre-opening management team to establish the Human Resources & Administration Department. Prior to taking up his current role, he held senior executive position in human resources, public relations and government relations in the Group and had worked with major companies and organizations such as Hong Kong & China Gas and Hong Kong Productivity Council.

Raymond Yap, Senior Vice President, International Premium Market Development. He has more than 24 years experience in hotel operations, resort planning, theme park and plaza development, corporate planning and business development. He has held various executive positions with the Genting Group and his last position was the Senior Vice President, Theme Park and First World Plaza.

Dennis Andreaci, Senior Vice President, Gaming Operations, Galaxy Macau™. He has over 26 years' experience of casino operations development and management in various countries including the USA, Macau, Singapore, Philippines, Cambodia and Laos. He was the former Vice President of Casino Table Games of Marina Bay Sands, Singapore. He also held senior casino operations positions with various casinos including Sands Macao, Venetian Macao, Osmach Resort Casino, Cambodia, and Subic Bay Casino, Philippines.

Gillian Murphy, Senior Vice President, Non-Gaming Operations, Galaxy Macau™. She has over 29 years of experience in hotel and resort operations. She held senior executive positions with a number of prestigious gaming and hotel companies in United States including Harrah's Entertainment Inc., Las Vegas, Ameristar, Colorado, and MGM Grand at Foxwoods, Connecticut. She was the former Senior Vice President of Resort Operations, Foxwoods Resort Casino in Mashantucket, Connecticut.

Andrew Duggan, Senior Vice President, Finance. He has over 25 years experience in financial leadership with Harrah's Entertainment Inc. spanning seven casino-hotel properties in Nevada, New Jersey and Illinois. He was the former Vice President, Finance of Caesars Palace, Las Vegas.

This list is by no means exhaustive. With the continued development of our management competence resulting in highly efficient casino and entertainment operations, we believe that it will drive the growth and success of GEG for the years to come.

GAMING AND ENTERTAINMENT DIVISION

Being a leading gaming operator in Macau, GEG believes in sharing our success with the community. In 2010, GEG made valuable contributions to local community groups and the society through a number of different social, philanthropic and volunteering activities.

RESPONSIBLE GAMING

During the year, GEG promoted responsible gaming to the public and team members through several initiatives:

- Collaborating with the University of Macau's Institute for the Study of Commercial Gaming, GEG developed a unique Responsible Gaming logo to better communicate the essence of responsible gaming

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ATITUDE RESPONSÁVEL PERANTE O JOGO
RESPONSIBLE GAMING

- Established Macau's first and only Responsible Gaming Support and Counselling Hotline to provide team members with twenty-four hours, seven days a week telephone counselling. Individual face-to-face counselling and online counselling are also provided as needed

- Established guidelines and procedures for team members to take Mandatory Responsible Gaming Education and yearly refresher courses to increase team members' awareness to the risks associated with problem gambling

- Posted signage at all casino entry points to reinforce the message that minors under the age of 18 are strictly prohibited from entering the casino floor

Continuing to promote responsible gambling behaviour to our team members, the community and beyond, GEG and other gaming operators participated in the "2nd Responsible Gambling Awareness Week", which is co-organized by the Macau Social Welfare Bureau, Macau Inspection and Coordination Bureau and the University of Macau's Institute for the Study of Commercial Gaming. Believing that effective communication comes from within, GEG encouraged team members' participation in the Awareness Week's various activities. This included the "Kick-Off Ceremony", the "2-Day Symposium" and as part of our members' succession development, many of our team members were nominated to attend the organizers' arranged "Responsible Gambling Ambassador" and "Responsible Gambling Train-the-Trainer" Programs.

ENVIRONMENTAL PROTECTION

Striving to create a greener tomorrow, GEG supports energy conservation and practices sustainable development by implementing numerous energy savings initiatives.

GEG participated in the WWF's "Earth Hour 2010" and the Office for the Development of the Energy Sector's "Lights off 1 Hour" events respectively. All non-essential lights on the building exteriors of Galaxy Macau™ Resort, StarWorld Hotel & Casino ("StarWorld") and the four City Club Casinos – Waldo Casino, Rio Casino, President Casino and Grand Waldo Casino, were switched off for one hour on the event days.

StarWorld's Green Initiatives include:

- Replaced lamp bulbs with LEDs, which consume less energy and have low carbon dioxide emission. Approximately 5,000 lamp bulbs have been replaced, saving about 3,000 kWh daily
- Used less water by adding water inhibitors in guestroom shower heads, recycling grey water for floor rinsing, and posting reminders to save water. Approximately 2,600,000 litres of water were saved in 2010
- Used environmentally friendly chemicals for laundry and cleaning purposes in the hotel
- Recycled reusable waste; approximately 38,000kg of metal, 290,000kg of paper and 24,000kg of plastic wastes were recycled in 2010
- Saved and recycled refrigerants for air conditioning plants, cold rooms and fridges during annual maintenance. Approximately 4,000kg of refrigerants were handled in 2010

In addition, GEG is also proud to announce the launch of a new "Galaxy Green" Program at our new integrated resort, Galaxy Macau™. Covering all aspects of Galaxy Macau's operations, including the hotels, food and beverages, engineering, administration, procurement, IT, construction and design, "Galaxy Green" helps Galaxy Macau maximize its energy and water conservation and ensures that the integrated resort minimize its waste production. Through the program's initiation and promotion of a complex multiple-recycling program, "Galaxy Green" will advance the environmental stewardship and education among Galaxy Macau's guests and GEG's team members so that GEG will become closer to achieving our environmental objective of becoming the greenest resort operator in Macau.

"Galaxy Green" Program initiatives:

- Full insulation along the exterior of the building, with insulated glass along the curtain wall to reduce heat transmission and the need for excess air conditioning, helping reduce energy consumption
- Green design across the property's Grand Resort Deck, including lush landscaping, gardens and water features to also reduce the overall heat load, as well as glare in guest windows
- Use of LED lighting in entertainment areas and T5 fluorescent tubes in back-of-house areas to reduce electricity usage and energy consumption
- Tracking energy and water consumption on a monthly basis
- Recycling wastewater for irrigation and car park cleaning

- Using Green Seal Certified cleaning supplies throughout the hotel and guest rooms
- Offering Galaxy Green Employee Education Programmes

GEG CARE

At GEG, we believe in sharing our successes with the communities that we serve. As part of our continuing commitment to the betterment of the community, in 2010, GEG organized the following activities and initiatives for team members to reach out and get involved:

COMMUNITY ACTIVITIES

- Participated in the "2010 World Challenge Day" in response to the call from the Association For International Sport for All and Macau Sport Development Board

- Collaborated with the Macau Blood Transfusion Centre and organized GEG's second "Blood Donation Activity" for team members at our flagship StarWorld Hotel
- Gathered our "2010 Galaxy's Got Talent" grand finalists in performing for over a hundred of Macau's senior citizens at the Macau "Peng On Tung" Tele-assistance Service's organized mid-autumn festival celebration party
- Gathered team members for a bowling session with the mentally disabled members of the Macau Special Olympics to promote social harmony
- Created a special opportunity for team members to go onboard ORBIS' Flying Eye Hospital where members were given a guided tour of ORBIS's sight-saving work
- Organized team members in fulfilling the Christmas wishes of children of the Macau's ECF Fellowship Orphanage by delivering the children their desired Christmas presents

CHARITABLE ACTIVITIES

We participate in community care and encourage team members to join us in our charitable activities.

- Donated MOP5 million to the Liaison Office of the Central People's Government in the Macau SAR to assist victims affected by the Qinghai earthquake
- Donated MOP1 million to the Liaison Office of the Central People's Government in the Macau SAR to assist victims affected by the Gansu Zhouqu county mudslides

- Donated MOP500,000 to the Macao Daily News Readers Charity Foundation and organized 500 of our members to participate in the "2010 Walk for a Million"

- Donated MOP250,000 to local charitable organization, Tung Sin Tong

- Hosted GEG's first "Galaxy Entertainment Group VIP Club Charity Golf Tournament" and donated MOP200,000 to the Macau "Peng On Tung" Tele-assistance Services. In addition, GEG also arranged home visits for our team members to meet the tele-assistance services' elderly users

- Donated to various local communities and charities, including the Macau Cradle of Hope Association, Richmond Fellowship of Macau, Macanese Communities Council, Fuhong Society of Macau, Macau Deaf Association, Associação de Juventude Voluntária de Macau, the Macau Association for the Families of Mentally Handicapped, Macau Gaming Industry Labourers Association and the community's vulnerable children through participating in a "Children Christmas Gifts Donation" activity organized by the Civic and Municipal Affairs Bureau. In addition, GEG also encouraged team members to participate in charitable events that GEG and/or the community organized such as the "Care Action Macau" charity walk and long distance race.

SPONSORSHIPS FOR SPORTS DEVELOPMENT

GEG has been a long time supporter of Macau's sports development. Living out our commitment to assist Macau in becoming a more culturally diverse and luring international tourism destination, GEG contributes enormously towards enhancing the attractiveness, scale and quality of Macau's various sports and community initiatives. This year, GEG again championed our title sponsorship to two of Macau's annual international sports events:

- ### 2010 Macau Galaxy Entertainment FIVB World Grand Prix – Title sponsor for the 6th consecutive year

  Since 2005, GEG has been the sole title sponsor of the "Macau Galaxy Entertainment FIVB World Grand Prix" while our flagship hotel, StarWorld, has been the tournament's Official Hotel since it began its operations in 2006. Last summer, in celebration of our 6th consecutive title sponsorship, GEG launched the following activities that further promoted the publics' involvement, awareness and interests in volleyball sports:

  - Continued to host a Welcome Reception for the participating FIVB national teams at StarWorld, and invited local high school students to join

  - Continued to organize, for the 2nd consecutive year, the "My Favorite Galaxy Star Player Award" voting activity

  - As a new initiative aimed at fostering the inclusion of the community's vulnerable groups, GEG invited a group of children from the Macau Cradle of Hope to join an exclusive volleyball clinic where they spent an engaging afternoon with Macau's volleyball and China's national volleyball team players

- 2010 Macau Galaxy Entertainment International Marathon — Title sponsor for the 7th consecutive year

To increase the public's involvement and appreciation for one of Macau's longest standing sports event, GEG reached out to the broader community and launched the first "Surpass Your Own Boundary – 2010 Macau Galaxy Entertainment International Marathon" Creative Writing Contest where local students aged between 13 to 18 years old were invited to share with us, in writing, their creative thoughts and aspirations on Macau's marathon development.

EDUCATION & CULTURE

GEG is committed to supporting Macau's education and cultural developments and carried out the following activities in 2010:

- Donated MOP10 million to the University of Macau Development Fund for the construction of a new "residential" style college in its Hengqin Campus

- GEG donated MOP500,000 to the University of Macau Development Fund to support the university's next three years' funding of its Institute for the Study of Commercial Gaming, which is responsible for research and training works that are invaluable to the healthy and sustainable development of Macau's gaming industry

- Sponsored the University of Macau's "2010 Communication Week"

- Awarded scholarships to three distinguished students from the Macao Polytechnic Institute

- Title sponsored the "GEG Macau Cup – 2nd Teenager National Conditions Knowledge Competition" for the 2nd consecutive year

- Offered internships and permanent placements to 31 students from various Macau institutes and universities, more than doubled since 2008

EMPLOYEE FRIENDLY

In addition to community work, GEG organizes numerous activities for team members to practice and enjoy a satisfying work-life balance:

- ### DRAGON BOAT RACES

Since 2005, GEG has established three male dragon boat teams, namely *Galaxy Stars*, *Galaxy Glamour* and *Galaxy Universe*; and two female teams *Galaxy Phoenix* and *Galaxy Pearl*. Tallying their results from years 2006 to 2010, GEG's dragon boat teams pocketed a total of 27 trophies; 20 at the annual Macau International Dragon Boat Races and 7 through participation in Mainland China's "2007 Duyun Guizhou International Dragon Boat Race", the "2008 Nanning China International Dragon Boat Invitational Tournament" and the "2010 China Nanjing Cross-Strait Qinhuai River Dragon Boat Rally".

- ### OTHER ACTIVITIES INCLUDE:

  - The "2010 Galaxy's Got Talent" Competition where team members got on stage to reveal their hidden talents to their peer.
  - Redecorated StarWorld's team members' restaurant so that team members have a cozier and more spacious venue for relaxation and networking.
  - Striving to improve team members' work-life balances, GEG offered a variety of interest classes and workshops for team members' engagement, including Classes and workshops, Free badminton classes, Basketball club and soccer team, Mosaic Workshops, Photography classes, Memory classes and Movie galas.

CONSTRUCTION MATERIALS DIVISION

In the area of corporate social responsibility, the Construction Materials Division continues to make major contributions to the environment and communities in which it operates.

Ground granulated blastfurnace slag (GGBS) is an environmental friendly substitute for cement. It is made by recycling the waste generated from iron production. The manufacture of GGBS requires only one fifth of the energy, of those involved in cement production, and produces less than 95% of the carbon dioxide emissions. The Division first started to produce GGBS in early 2000 through the collaboration with state-owned iron and steel makers in Mainland China. By introducing latest technology, the Division successfully resolved the problem of waste disposal for its partners, while carving out a new market niche for green building materials. Today the Division is one of the largest GGBS producers in Mainland China with annual capacity of 9 million tonnes.

In Hong Kong, the Division continues to lead the sector with a wide range of innovative and sustainable building materials and products, committed to eco-friendly businesses. Of particular note are innovative developments using recycled glass from waste glass containers to manufacture paving blocks. The Division recently commenced a promotion campaign with the Hong Chi Association, a non-profit-making organization to collect waste glass containers from housing areas, shopping malls and the bar zone on Minden Avenue, Tsim Sha Tsui. Another recycling program with the Hong Kong Housing Authority was launched on source separation of glass bottles at six public housing estates in East Kowloon to extend the collection of the recyclable waste. The signing ceremony of 2 campaigns was officiated by Hong Kong's Secretary for the Environment.

With the commitment of the Division, together with the voluntary spirit of many of our staff, our social club continues to be actively involved in joint-activities with various volunteer associations to great success. We continue into the fourth year of our program in collaboration with the Evangelical Lutheran Church of Hong Kong to serve the local communities through nurturing a group of less privileged children from single-parent families. Staff members participated in the program as mentors to the children, with a number of activities undertaken, including social outings to theme parks along with educational activities and English language mentoring.

The Division's proactive approach in maintaining the highest standards in Health, Safety & Environment, have resulted not only in numerous awards, but the Division is also making significant progress towards the target of zero accidents, zero incidents and zero harm.

FIVE-YEAR SUMMARY

	Year ended 31 December 2006 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2009 HK$'000	**Year ended 31 December 2010 HK$'000**
CONSOLIDATED INCOME STATEMENT					
Revenue	4,669,495	13,035,439	10,520,120	12,232,679	**19,262,133**
Profit/(loss) attributable to equity holders of the Company	(1,531,546)	(466,200)	(11,390,368)	1,149,113	**898,455**
Dividends	–	–	–	–	**–**
Earnings/(loss) per share (cents)	(46.5)	(13.8)	(289.3)	29.2	**22.8**
Dividend per share (cents)	–	–	–	–	**–**
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	5,566,921	6,374,464	8,085,812	11,589,392	**16,801,790**
Intangible assets	15,520,486	14,520,665	1,488,039	1,391,322	**1,320,129**
Jointly controlled entities and associated companies	387,250	506,923	833,359	1,003,918	**1,042,147**
Other non-current assets	951,697	600,757	291,733	352,660	**486,307**
Net current assets/(liabilities)	2,608,958	5,340,858	3,251,497	(939,749)	**(2,471,963)**
Employment of capital	25,035,312	27,343,667	13,950,440	13,397,543	**17,178,410**
Represented by:					
Share capital	329,612	393,564	393,817	394,159	**395,440**
Reserves	13,303,187	18,013,088	6,617,467	7,774,378	**8,801,497**
Shareholders' funds	13,632,799	18,406,652	7,011,284	8,168,537	**9,196,937**
Non-controlling interests	490,700	531,791	262,616	266,597	**377,614**
Long term borrowings	8,439,965	6,010,571	6,275,958	4,459,703	**7,143,507**
Other non-current liabilities	2,351,697	2,259,031	285,029	372,928	**345,202**
Provisions	120,151	135,622	115,553	129,778	**115,150**
Capital employed	25,035,312	27,343,667	13,950,440	13,397,543	**17,178,410**
Net assets per share (dollars)	4.14	4.68	1.78	2.07	**2.33**

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Dr. Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA,* aged 81, the founder of the Group, has been a Director of the Company since August 1991 and is the Chairman of the Company. Dr. Lui is also an executive director, the Chairman and the Managing Director of K. Wah International Holdings Limited. He has over 50 years' experience in quarrying, construction materials and property development. He was the Founding Chairman of the Institute of Quarrying in the UK (Hong Kong Branch) and the Chairman of the Tung Wah Group of Hospitals. Dr. Lui is also the Founding Chairman of The Federation of Hong Kong Hotel Owners, the President of Tsim Sha Tsui East Property Developers Association, the Founding President of Hong Kong – Guangdong Economic Development Association and an Honorary President of Hong Kong – Shanghai Economic Development Association. Dr. Lui has been appointed as a Member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Further, Dr. Lui was a Committee Member of the 9th Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. In 1995, an asteroid discovered by the Purple Mountain Observatory in Nanjing was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler in 2011. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 55, joined the Group in 1979. He has been an executive Director of the Company since June 1987 and is the Deputy Chairman of the Company. Mr. Lui is also an executive director of K. Wah International Holdings Limited. He holds a bachelor of science degree in civil engineering and a master of science degree in structural engineering from the University of California at Berkeley, USA. He is a member of the Shanghai Committee of the Chinese People's Political Consultative Conference and also a Committee Member of the 11th Chinese People's Political Consultative Conference. Mr. Lui is a son of Dr. Che-woo Lui and a younger brother of Ms. Paddy Tang Lui Wai Yu.

Mr. Joseph Chee Ying Keung, aged 53, joined the Group in 1982. He has been an executive Director of the Company since April 2004 and is the Managing Director of the Construction Materials Division of the Company. Mr. Chee holds an International Master degree in Business Administration from the University of South Australia and a Bachelor degree in Mechanical Engineering from the University of Western Ontario in Canada. He is a fellow member of The Institute of Quarrying in the UK and has over 29 years of broad experience in the construction materials industry including operations and management, technical and quality assurance, environmental protection, commercial and strategic planning. He is currently a member of Standing Committee on Concrete Technology organized by Civil Engineering and Development Department, HKSAR and is appointed as a member of Pneumoconiosis Compensation Fund Board (2010-2011). He served as a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board from 2004 to 2006. He was also the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000 and the Chairman of Hong Kong Contract Quarry Association from 2002 to 2008.

Ms. Paddy Tang Lui Wai Yu, *BBS, JP,* aged 57, joined the Group in 1980 and has been an executive Director of the Company since August 1991. She is also an executive director of K. Wah International Holdings Limited. She holds a bachelor of commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui is appointed as a non-executive director of the Mandatory Provident Fund Schemes Authority on 17 March 2011. She is also a member of various public and social service organizations, including the General Committee of The Chamber of Hong Kong Listed Companies and a Founding Member of the Board of Opera Hong Kong Limited. Ms. Lui was appointed as a member of the Standing Committee on Company Law Reform, the Tourism Strategy Group, the Statistic Advisory Board, the Hong Kong Arts Development Council and the Board of Ocean Park Corporation. Ms. Lui was elected as a member of the Election Committee of the HKSAR since 1998. Ms. Lui is the daughter of Dr. Che-woo Lui and the elder sister of Mr. Francis Lui Yiu Tung.

Non-executive Directors

Mr. Anthony Thomas Christopher Carter, aged 65, joined the Group in 2003 and has been a non-executive Director of the Company since April 2007. Mr. Carter holds a L.L.B. (Hons) from the University of Leeds in England. He is a solicitor in the United Kingdom and Hong Kong. He has extensive experience in strategic planning and business management as well as in corporate finance and development. Prior to his retirement from the Company in March 2007, he was the Chief Executive Officer of Galaxy Casino, S.A.

Dr. Martin Clarke, aged 55, has been a non-executive Director of the Company since 27 November 2007. He became a Partner at Permira in 2004. He is a member of Permira's Management Committee and Head of the Consumer Sector. He has worked on a number of transactions including Gala Coral Group, New Look, Principal Hayley Group, Telepizza and Galaxy Entertainment. Dr. Clarke has over 25 years of experience of private equity. Prior to joining Permira, he was one of the founder directors of PPM Capital, the private equity arm of Prudential plc. and was involved in over 20 deals with a particular emphasis on the consumer space. His early career was spent at CIN Industrial Investments, the precursor of Cinven. He holds an MA and PhD in History from Cambridge University, England.

Mr. Henry Lin Chen, aged 40, has been a non-executive Director of the Company since January 2010. He joined Permira in August 2008 and is a partner and co-head of Asia. Prior to joining Permira, he spent nine years in senior positions at Goldman Sachs. Most recently, as Head of General Industrials Group, Asia ex-Japan, he was responsible for managing the largest industry group in investment banking covering four major sectors: Industrials, Transportation, Consumer Retail and Healthcare. Previously, Mr. Chen served as Chief Operating Officer of Corporate Finance where he led the execution of complex transactions including Lenovo's acquisition of IBM's PC Business and Temasek's investment in China Construction Bank. In addition, he led and executed a broad range of transactions primarily in Greater China. Mr. Chen received a Bachelor and Master of Arts in History and Science from Harvard University and a Juris Doctorate from Harvard Law School. He is licensed to practice law in the state of New York, USA.

Independent Non-executive Directors

Mr. James Ross Ancell, aged 57, has been an independent non-executive Director of the Company since April 2004. He holds a Bachelor's degree in Management Studies from University of Waikato in New Zealand. He is a member of the Institute of Chartered Accountants of New Zealand and has over 30 years of broad experience in building materials and construction sectors, waste management and recycling business gained from multinational corporations. He is currently the Chairman of Churngold Construction Holdings Limited in the UK, a leading specialist groundworks subcontractor carrying out groundworks and road surfacing, with a separate remediation business, cleaning up sites contaminated by previous industrial activity. He is also a non-executive director of MJ Gleeson Group PLC, a housebuilder and regeneration company listed on the London Stock Exchange.

Dr. William Yip Shue Lam, *LLD*, aged 73, has been an independent non-executive Director of the Company since December 2004. Dr. Yip holds a Bachelor of Arts degree and an honorary Doctor of Laws degree from the Concordia University, Canada. He is the founder and the Chairman of Canada Land Limited, a company listed on the Australian Stock Exchange and engaged in real estate development and tourist attraction business. Dr. Yip is an independent non-executive director of K. Wah International Holdings Limited. He is also the Chairman of Cantravel Limited, Guangzhou. Dr. Yip has been active in public services and is presently a Standing Committee Member of The Chinese General Chamber of Commerce and the President of Concordia University Hong Kong Foundation Limited. He also serves on the Board of Governors of The Canadian Chamber of Commerce in Hong Kong. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

Dr. Patrick Wong Lung Tak, *BBS, JP,* aged 63, has been an independent non-executive Director of the Company since August 2008. Dr. Wong is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Patrick Wong CPA Limited. He has over 30 years experience in the accountancy profession. Dr. Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. He has been appointed Adjunct Professor, School of Accounting and Finance of the Hong Kong Polytechnic University since 2002. Dr. Wong participates in many types of community services and is holding posts in various organisations and committees in government and voluntary agencies. Dr. Wong is an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., C C Land Holdings Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, Ruinian International Limited and Guangzhou Pharmaceutical Company Limited, all of which are listed on the Main Board of the Stock Exchange. Dr. Wong has been appointed as an independent non-executive director of National Arts Holdings Limited (listed on the Growth Enterprise Market of the Stock Exchange) with effect from 3 February 2010.

SENIOR MANAGEMENT

The businesses of the Group are under the direct responsibilities of the executive directors of the Company who are regarded as senior management of the Group.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the terms of a secured six-year HK$9 billion club loan made available by a consortium of several leading Asian banks comprising of Industrial and Commercial Bank of China (Macau) Limited, Bank of China Limited, Macau Branch, DBS Bank (Hong Kong) Limited, Hang Seng Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited, Banco Nacional Ultramarino, S.A. and Guangdong Development Bank Co., Limited to Galaxy Entertainment Finance (Galaxy Macau) Limited, a subsidiary of the Company, in June 2010, there is a requirement that the Lui Family is the single largest shareholder of the Company and maintains a minimum 35% interest in the Company during the term of the facility. Failure to comply with this obligation will result in the facility becoming mandatorily repayable and all commitments under the facility will be cancelled. For this purpose, the Lui Family includes Dr. Che-woo Lui and any heir, estate, lineal descendent, spouse or parent of him; and any trust, corporation, partnership or other entity in which Dr. Che-woo Lui and/or any of the said persons beneficially holds, directly or indirectly, a 100% controlling interest.

The Directors have pleasure in presenting to the shareholders their annual report together with the audited financial statements of the Company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal subsidiaries, jointly controlled entities and associated companies of the Company are primarily engaged in gaming and entertainment in Macau and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China, and their principal activities and other particulars are set out in note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 55 of this annual report.

No interim dividend (2009: nil) was paid during the year. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

During the year, 12,808,883 new shares of HK$0.10 each ("Shares") were issued pursuant to share option scheme of the Company as a result of the exercise of share options by option holders.

DEBT SECURITIES

Details of 9.875% guaranteed senior notes due 2012 ("Fixed Rate Notes") (listed on the Singapore Stock Exchange) issued by Galaxy Entertainment Finance Company Limited, a subsidiary of the Company, are set out in note 32 to the consolidated financial statements.

On 14 December 2009, Galaxy Entertainment Finance Company Limited exercised its optional redemption right to redeem in whole all of the then outstanding Floating Rate Notes in the principal amount of US$105.9 million (HK$826 million) at a redemption price of 100% of the principal amount and settlement took place on 14 January 2010.

On 23 April 2010, the Group announced plans to redeem all its outstanding Fixed Rate Notes in the amount of US$281.2 million (HK$2,193 million) and on 24 May 2010, the redemption was concluded.

Details of the zero coupon convertible notes due 2011 ("Convertible Notes") issued by the Company are set out in note 32 to the consolidated financial statements. At 31 December 2010, US$165 million principal amount remains outstanding. Subsequent to the financial year end date, all the Convertible Notes were converted into 172,983,862 shares of the Company at a conversion price of HK$7.44 per Share. There is no outstanding Convertible Notes as at date of the Report.

As announced on 16 December 2010, the Company issued fixed rate senior unsecured bond in the aggregate principal amount of RMB1.38 billion (HK$1.62 billion) with fixed rate of 4.625% per year due in December 2013 ("RMB Bonds"). The RMB Bonds are listed on The Stock Exchange of Hong Kong Limited with Stock Code No. 86002.

DEALINGS IN LISTED SECURITIES

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares or listed debt securities during the year ended 31 December 2010.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 31 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DIRECTORS

The Directors of the Company who served during the year were :

Dr. Che-woo Lui, *Chairman*
Mr. Francis Lui Yiu Tung, *Deputy Chairman*
Mr. Joseph Chee Ying Keung, *executive Director*
Ms. Paddy Tang Lui Wai Yu, *executive Director*
Mr. Anthony Thomas Christopher Carter, *non-executive Director*
Dr. Martin Clarke, *non-executive Director*
Mr. Guido Paolo Gamucci, *non-executive Director (resigned on 20 January 2010)*
Mr. Henry Lin Chen, *non-executive Director (was appointed on 20 January 2010)*
Mr. James Ross Ancell, *independent non-executive Director*
Dr. William Yip Shue Lam, *independent non-executive Director*
Dr. Patrick Wong Lung Tak, *independent non-executive Director*

The biographical details of the existing Directors are set out on pages 39 to 41 of this annual report.

In accordance with Article 106(A) of the Articles of Association of the Company, Mr. Joseph Chee Ying Keung, Ms. Paddy Tang Lui Wai Yu and Dr. William Yip Shue Lam will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Subject to the approval of shareholders at the forthcoming annual general meeting, the following directors' fees in respect of the year ended 31 December 2010 will be payable to the Directors:

	Chairman (HK$)	**Member** (HK$)
The Board	170,000	150,000
Audit Committee	120,000	100,000
Remuneration Committee	60,000	50,000

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Report of the Directors, no contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director has or had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2010 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 31 December 2010, the interests of each Director in the Shares, underlying Shares and debentures of the Company, and the details of any right to subscribe for Shares and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying Shares)

	Number of Shares (including underlying Shares)					
Name	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other Interests**	**Total**	**Percentage of Issued Share Capital**
Che-woo Lui	27,537,632	2,181,518	305,401[(1)]	2,967,732,948[(2)]	2,997,757,499	75.81
Francis Lui Yiu Tung	37,906,896	—	407,558,099[(3)]	2,552,292,504[(2)]	2,997,757,499	75.81
Joseph Chee Ying Keung	3,745,000	—	—	—	3,745,000	0.09
Paddy Tang Lui Wai Yu	14,939,722	—	—	2,982,817,777[(2)]	2,997,757,499	75.81
James Ross Ancell	250,000	—	—	—	250,000	0.01
William Yip Shue Lam	250,000	—	—	—	250,000	0.01
Anthony Thomas Christopher Carter	2,800,000	—	—	—	2,800,000	0.07
Martin Clarke	—	—	—	—	—	—
Patrick Wong Lung Tak	—	—	—	—	—	—
Henry Lin Chen	—	—	—	—	—	—

Notes:

(1) 305,401 Shares were held by Po Kay Securities & Shares Company Limited which is controlled by Dr. Che-woo Lui .

(2) A discretionary family trust established by Dr. Che-woo Lui as founder was interested in 1,708,944,231 Shares. Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those Shares in which the trust has an interest.

Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu are, among others, parties to certain arrangements to which Section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any Shares held by the other parties to such arrangements for so long as such arrangements are in place. The deemed interests pursuant to these arrangements of Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were 1,258,788,717 Shares, 843,348,273 Shares and 1,273,873,546 Shares respectively.

(3) 114,504,039 Shares were held by Recurrent Profits Limited which is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying Shares. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 Shares and 61,138,039 underlying Shares. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying Shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.

(b) Share Options

Details are set out in the SHARE OPTION SCHEME section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 31 December 2010, none of the Directors of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31 December 2010, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of Shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	2,997,757,499[(1)]	75.81
CWL Assets (PTC) Limited	1,708,944,231[(2)]	43.22
ENB Topco 2 S.àr.l	2,975,899,499[(1)(3)]	75.26
Galaxy Entertainment Group Limited	2,997,757,499[(1)]	75.81
HSBC International Trustee Limited	1,708,944,231[(2)]	43.22
Mark Liaison Limited	2,997,757,499[(1)]	75.81
Permira Holdings Limited	2,975,899,499[(1)(4)]	75.26
Premium Capital Profits Limited	2,997,757,499[(1)]	75.81
Recurrent Profits Limited	2,997,757,499[(1)]	75.81
Super Focus Company Limited	2,997,757,499[(1)]	75.81

Notes:

(1) City Lion Profits Corp., ENB Topco 2 S.àr.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited are, among others, parties having interests in certain arrangements to which Section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any Shares held by the other parties to such arrangements for so long as such arrangements are in place. Their deemed interests pursuant to these arrangements were 1,683,870,293 Shares, 2,333,180,916 Shares, 2,997,757,499 Shares, 2,988,096,644 Shares, 2,177,515,499 Shares, 2,984,449,320 Shares, 2,883,253,460 Shares and 2,728,557,345 Shares respectively.

(2) HSBC International Trustee Limited is the trustee of a discretionary family trust established by Dr. Che-woo Lui as founder, which was interested in 1,708,944,231 Shares.

(3) ENB Topco 2 S.àr.l is deemed to have an interest in the Shares as a result of the direct holding of the Shares by ENB Lux 2 S.àr.l, its wholly-owned subsidiary.

(4) Permira Holdings Limited is deemed to have an interest in the Shares in its capacity as the holding company of the general partner and manager of the funds which control the companies holding the Shares.

There was duplication of interests of:

(i) 1,708,944,231 Shares between Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;

(ii) 1,313,887,206 Shares between City Lion Profits Corp. and CWL Assets (PTC) Limited;

(iii) 114,504,039 Shares between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;

(iv) 642,718,583 Shares between Permira Holdings Limited and ENB Topco 2 S.àr.l; and

(v) apart from the above, duplication of interests also existed among Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp., ENB Topco 2 S.àr.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited, which are parties having interests in certain arrangements to which Section 317 of the SFO applies. As a result, each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any Shares held by the other parties to such arrangements for so long as such arrangements are in place. Their interests were duplicated to the extent disclosed in the relevant notes above.

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares which are required to be recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company ("Share Option Scheme") was adopted on 30 May 2002. A summary of the Share Option Scheme is set out below:

(1) Purpose

To attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders.

(2) Participants

(i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or

(ii) any consultant, agent, representative or adviser of the Company or any affiliate; or

(iii) any person who provides goods or services to the Company or any affiliate; or

(iv) any customer or contractor of the Company or any affiliate; or

(v) any business ally or joint venture partner of the Company or any affiliate; or

(vi) any trustee of any trust established for the benefit of employees; or

(vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

"Affiliate" means any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company.

(3) Total number of Shares available for issue

Mandate Limit — Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 329,464,936 Shares, being 10% of the Shares in issue as at 29 June 2006, the date of passing of an ordinary resolution of the shareholders for refreshment of the Mandate Limit.

Overriding Limit — The Company may by ordinary resolution of the shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular to its shareholders before such approval is sought. The overriding limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 208,731,382 Shares, which represented approximately 5.05 % of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the Shares in issue.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting and provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(5) Option period

The period within which the Shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it can vest

The minimum period, if any, for which an option must be held before it can vest shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the option

HK$1.00 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 14 days from the date of grant (or such longer period as the Board may specify in writing).

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the highest of:

(i) the closing price of the Shares on the date of grant;

(ii) the average closing prices of the Shares for the five business days immediately preceding the date of grant; and;

(iii) the nominal value of a Share.

(9) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on its adoption date, being 30 May 2002 and will expire on 29 May 2012.

The particulars of the movements in the options held by each of the Directors of the Company, the employees of the Company in aggregate and other participants granted under the Share Option Scheme during the year ended 31 December 2010 were as follows:

		Number of Options							
Name	Date of grant	Held at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year	Held at 31 December 2010	Exercise price (HK$)	Exercise period
Che-woo Lui	28 Feb 2003	2,000,000	–	–	–	–	2,000,000	0.514	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	2,700,000	–	–	–	–	2,700,000	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	590,000	–	–	–	–	590,000	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	862,500	–	–	–	–	862,500	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	862,500	–	–	–	–	862,500	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,725,000	–	–	–	–	1,725,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,150,000	–	–	–	–	1,150,000	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,150,000	–	–	–	–	1,150,000	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,150,000	–	–	–	–	1,150,000	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	–	1,150,000	–	–	–	1,150,000	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	–	1,150,000	–	–	–	1,150,000	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	–	1,150,000	–	–	–	1,150,000	6.810	11 Oct 2013 – 10 Oct 2016
Francis Lui Yiu Tung	28 Feb 2003	1,870,000	–	–	–	–	1,870,000	0.514	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	6,000,000	–	–	–	–	6,000,000	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	580,000	–	–	–	–	580,000	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	1,250,000	–	–	–	–	1,250,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	1,250,000	–	–	–	–	1,250,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	2,500,000	–	–	–	–	2,500,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,666,666	–	–	–	–	1,666,666	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,666,666	–	–	–	–	1,666,666	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,666,668	–	–	–	–	1,666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	–	1,666,666	–	–	–	1,666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	–	1,666,666	–	–	–	1,666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	–	1,666,668	–	–	–	1,666,668	6.810	11 Oct 2013 – 10 Oct 2016
Joseph Chee Ying Keung	21 Oct 2005	270,000	–	–	–	–	270,000	4.590	22 Oct 2006 – 21 Oct 2011
	18 Aug 2008	383,000	–	–	–	–	383,000	3.320	18 Aug 2009 – 17 Aug 2014
	21 Oct 2009	642,000	–	–	–	–	642,000	3.600	21 Oct 2010 – 20 Oct 2015

		Number of Options							
Name	**Date of grant**	**Held at 1 January 2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Re-classified during the year**	**Held at 31 December 2010**	**Exercise price (HK$)**	**Exercise period**
Paddy Tang Lui Wai Yu	21 Oct 2005	3,000,000	–	–	–	–	3,000,000	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	400,000	–	–	–	–	400,000	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	500,000	–	–	–	–	500,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	500,000	–	–	–	–	500,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,000,000	–	–	–	–	1,000,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	666,666	–	–	–	–	666,666	2.160	8 May 2010 – 7 May 2015
	8 May 2009	666,666	–	–	–	–	666,666	2.160	8 May 2011 – 7 May 2015
	8 May 2009	666,668	–	–	–	–	666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	–	666,666	–	–	–	666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	–	666,666	–	–	–	666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	–	666,668	–	–	–	666,668	6.810	11 Oct 2013 – 10 Oct 2016
James Ross Ancell	21 Oct 2005	250,000	–	–	–	–	250,000	4.590	22 Oct 2006 – 21 Oct 2011
William Yip Shue Lam	21 Oct 2005	250,000	–	–	–	–	250,000	4.590	22 Oct 2006 – 21 Oct 2011
Anthony Thomas Christopher Carter	21 Oct 2005	2,500,000	–	–	–	–	2,500,000	4.590	22 Oct 2005 – 21 Oct 2011
Martin Clarke	–	–	–	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–	–	–	–
Henry Lin Chen	–	–	–	–	–	–	–	–	–
Employees (in aggregate)	28 Feb 2003	110,000	–	–	–	–	110,000	0.514	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	1,330,000	–	541,000[a]	42,000	–	747,000	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	625,000	–	–	–	–	625,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	625,000	–	–	–	–	625,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,250,000	–	–	–	–	1,250,000	6.972	17 Jan 2012 – 16 Jan 2014
	18 Aug 2008	4,718,000	–	3,415,000[b]	271,000	–	1,032,000	3.320	18 Aug 2009 – 17 Aug 2014
	8 May 2009	13,712,986	–	5,515,661[c]	166,666	–	8,030,659	2.160	8 May 2010 – 7 May 2015
	8 May 2009	13,712,986	–	28,222[d]	1,185,109	568,000[f]	11,931,655	2.160	8 May 2011 – 7 May 2015
	8 May 2009	13,713,028	–	–	1,213,338	568,000[f]	11,931,690	2.160	8 May 2012 – 7 May 2015
	21 Oct 2009	6,210,000	–	3,309,000[e]	289,000	–	2,612,000	3.600	21 Oct 2010 – 20 Oct 2015
	11 Feb 2010	–	2,583,663	–	933,333	–	1,650,330	2.910	11 Feb 2011 – 10 Feb 2016
	11 Feb 2010	–	2,583,663	–	933,333	–	1,650,330	2.910	11 Feb 2012 – 10 Feb 2016
	11 Feb 2010	–	2,583,674	–	933,334	–	1,650,340	2.910	11 Feb 2013 – 10 Feb 2016
	23 Jul 2010	–	10,326,325	–	333,333	–	9,992,992	4.670	23 Jul 2011 – 22 Jul 2016
	23 Jul 2010	–	10,326,325	–	333,333	–	9,992,992	4.670	23 Jul 2012 – 22 Jul 2016
	23 Jul 2010	–	10,326,350	–	333,334	–	9,993,016	4.670	23 Jul 2013 – 22 Jul 2016
	11 Oct 2010	–	666,666	–	–	–	666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	–	666,666	–	–	–	666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	–	666,668	–	–	–	666,668	6.810	11 Oct 2013 – 10 Oct 2016
Others	21 Oct 2005	3,500,000	–	–	–	–	3,500,000	4.590	22 Oct 2005 – 21 Oct 2011
	8 May 2009	–	–	–	–	568,000[f]	568,000	2.160	8 May 2011 – 7 May 2015
	8 May 2009	–	–	–	–	568,000[f]	568,000	2.160	8 May 2012 – 7 May 2015

Notes:

a. The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$6.91.

b. The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$6.85.

c. The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$5.03.

d. The unvested portion of options was exercised by an option holder who retired during the year. The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$4.30.

e. The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$7.39.

f. A total number of 1,136,000 options held by an ex-employee was re-classified during the year from Employees to Others.

The vesting periods for the above options are the periods from the respective dates of grant to the respective commencement dates of the exercise periods of the options as disclosed above. The consideration paid by each grantee for each grant of options was HK$1.00.

Details of the options granted or lapsed during the year are set out above. No options were cancelled during the year.

The fair values of the options granted during the year are estimated based on the Black-Scholes valuation model, and such fair values and the significant inputs into the model are as follows:

	Fair value per option (HK$)	Share price at date of grant (HK$)	Exercise price (HK$)	Standard deviation of expected share price return	Expected life of options	Expected dividend paid out rate	Annual risk-free interest rate
Granted on 11 February 2010 – 4,951,000 options outstanding as at 31 Dec 2010	1.29	2.91	2.91	65%	3 to 5 years	2%	1.3% to 1.8%
Granted on 23 July 2010 – 29,979,000 options outstanding as at 31 Dec 2010	1.95	4.67	4.67	60% to 65%	3 to 5 years	2%	0.9% to 1.2%
Granted on 11 October 2010 – 12,450,000 options outstanding as at 31 Dec 2010	2.90	6.81	6.81	60% to 65%	3 to 5 years	2%	0.8% to 1.1%

The volatility measured at the standard deviation of expected share price returns is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise before the option grant date. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing prices of the Shares immediately before the dates on which the share options were granted during the year on 11 February 2010, 23 July 2010 and 11 October 2010 were HK$2.84, HK$4.73 and HK$6.51 respectively.

Except for the Share Option Scheme, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

CONNECTED TRANSACTION

As announced on 30 April, 2010, 遷安首嘉建材有限公司 (Qianan Shougang K. Wah Construction Materials Company Limited) ("Qianan Shougang KWCM"), a non-wholly owned subsidiary of the Company and 貴卅博宏實業有限責任公司 (Guizhou Bohong Enterprises Limited Liability Company) ("Guizhou Bohong") entered into a Joint Venture Contract dated 30 April 2010 (the "JV Contract") to establish the 六盤水首嘉博宏建材有限公司 (Liupanshui Shougang K. Wah Bohong Construction Materials Company Limited) ("JV Company") for the manufacture and sale of slag in Guizhou Province, the PRC. The total investment amount of the JV Company is estimated to be RMB80,000,000 (approximately HK$91,200,000), in which Qianan Shougang KWCM contributed RMB11,300,000 (approximately HK$12,882,000) in cash as registered capital and RMB57,400,000 (approximately HK$65,436,000) by way of shareholders' loans at a market interest rate chargeable by local commercial banks repayable over a period of four years after the commencement of the production of the JV Company. As Guizhou Bohong is a 51% owned subsidiary of 首鋼總公司 (Shougang Group Company), which is a substantial shareholder of Qianan Shougang KWCM, Guizhou Bohang is a connected person of the Company (at the subsidiary level), hence the transaction is classified as connected transaction under the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and adjusted as appropriate, is shown on page 38 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the five largest customers or suppliers (not including of a capital nature).

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$20,854,000 (2009: HK$10,750,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company at the date of this annual report, there was a sufficient public float of the Company as required under the Listing Rules.

AUDITOR

The financial statements for the year ended 31 December 2010 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Dr. Che-woo Lui
Chairman

Hong Kong, 30 March 2011

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the shareholders of Galaxy Entertainment Group Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 140, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	6	**19,262,133**	12,232,679
Other income/gains, net	8(a)	**25,456**	221,036
Special gaming tax and other related taxes to the Macau Government		**(6,966,527)**	(4,215,981)
Commission and allowances to gaming counterparties		**(7,594,026)**	(4,426,441)
Raw materials and consumables used		**(601,691)**	(587,563)
Amortisation and depreciation		**(510,519)**	(541,097)
Employee benefit expenses		**(1,342,296)**	(1,188,709)
Other operating expenses		**(975,903)**	(926,334)
Net (loss)/gain on buyback of guaranteed notes	32(b)	**(133,175)**	623,838
Gain on buyback of convertible notes	32(c)	**–**	191,267
Finance costs	10	**(59,142)**	(138,993)
Change in fair value of derivative under the convertible notes		**(286,058)**	(96,295)
Share of profits less losses of :			
Jointly controlled entities	20(a)	**141,866**	85,845
Associated company	21(a)	**(857)**	127
Profit before taxation	8(b)	**959,261**	1,233,379
Taxation charge	11	**(44,725)**	(75,726)
Profit for the year		**914,536**	1,157,653
Attributable to:			
Equity holders of the Company	31	**898,455**	1,149,113
Non-controlling interests		**16,081**	8,540
		914,536	1,157,653
		HK cents	HK cents
Earnings per share	13		
Basic		**22.8**	29.2
Diluted		**22.6**	29.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**914,536**	1,157,653
Other comprehensive income/(loss)		
Change in fair value of non-current investments	**11,528**	7,744
Currency translation differences	**31,629**	(7,544)
Change in fair value of cash flow hedges	**–**	(3,173)
Derecognition of cash flow hedges	**5,890**	–
Other comprehensive income/(loss) for the year, net of tax	**49,047**	(2,973)
Total comprehensive income for the year	**963,583**	1,154,680
Total comprehensive income attributable to:		
Equity holders of the Company	**941,143**	1,145,920
Non-controlling interests	**22,440**	8,760
	963,583	1,154,680

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	**2010 HK$'000**	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**12,394,439**	7,175,464
Investment properties	16	**77,000**	66,700
Leasehold land and land use rights	17	**4,330,351**	4,347,228
Intangible assets	18	**1,320,129**	1,391,322
Jointly controlled entities	20	**1,042,147**	1,003,061
Associated company	21	**–**	857
Other non-current assets	23	**486,307**	352,660
		19,650,373	14,337,292
Current assets			
Inventories	24	**87,113**	84,820
Debtors and prepayments	25	**852,634**	894,862
Amounts due from jointly controlled entities	26	**143,059**	91,556
Derivative financial instruments	22	**2,475**	382
Taxation recoverable		**1,562**	2,479
Other investments	27	**20,463**	35,132
Cash and bank balances	28	**4,428,495**	3,516,490
		5,535,801	4,625,721
Total assets		**25,186,174**	18,963,013

	Note	**2010 HK$'000**	2009 HK$'000
EQUITY			
Share capital	29	**395,440**	394,159
Reserves	31	**8,801,497**	7,774,378
Shareholders' funds		**9,196,937**	8,168,537
Non-controlling interests		**377,614**	266,597
Total equity		**9,574,551**	8,435,134
LIABILITIES			
Non-current liabilities			
Borrowings	32	**7,143,507**	4,459,703
Deferred taxation liabilities	33	**277,555**	271,884
Derivative financial instruments	22	**–**	101,044
Provisions	34	**115,150**	129,778
Retention payable		**67,647**	–
		7,603,859	4,962,409
Current liabilities			
Creditors and accruals	35	**5,243,615**	4,115,549
Amounts due to jointly controlled entities	26	**23,763**	4,157
Current portion of borrowings	32	**2,282,725**	1,383,488
Derivative financial instruments	22	**387,242**	508
Provision for tax		**70,419**	61,768
		8,007,764	5,565,470
Total liabilities		**15,611,623**	10,527,879
Total equity and liabilities		**25,186,174**	18,963,013
Net current liabilities	2	**(2,471,963)**	(939,749)
Total assets less current liabilities		**17,178,410**	13,397,543

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

COMPANY BALANCE SHEET

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	**3,830,001**	3,830,001
Amounts due from subsidiaries	19	**5,365,053**	4,753,428
		9,195,054	8,583,429
Current assets			
Debtors and prepayments	25	**1,009**	587
Derivative financial instruments	22	**2,475**	–
Taxation recoverable		**–**	339
Cash and bank balances	28	**1,612,107**	41,267
		1,615,591	42,193
Total assets		**10,810,645**	8,625,622
EQUITY			
Share capital	29	**395,440**	394,159
Reserves	31	**6,672,029**	7,039,065
Shareholders' funds		**7,067,469**	7,433,224
LIABILITIES			
Non-current liabilities			
Borrowings	32	**1,573,794**	1,077,224
Derivative financial instruments	22	**–**	101,044
		1,573,794	1,178,268
Current liabilities			
Creditors and accruals	35	**36,271**	14,130
Current portion of borrowings	32	**1,745,869**	–
Derivative financial instruments	22	**387,242**	–
		2,169,382	14,130
Total liabilities		**3,743,176**	1,192,398
Total equity and liabilities		**10,810,645**	8,625,622
Net current (liabilities)/assets		**(553,791)**	28,063
Total assets less current liabilities		**8,641,263**	8,611,492

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	36	**2,384,953**	1,890,585
Hong Kong profits tax paid		**(17,382)**	(16,961)
Mainland China income tax and Macau complementary tax paid		**(12,104)**	(3,557)
Interest paid		**(257,433)**	(322,979)
Income from cashflow hedges		**7,590**	17,891
Net cash from operating activities		**2,105,624**	1,564,979
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,521,269)**	(1,113,412)
Purchase of leasehold land		**(23,504)**	(1,245,728)
Purchase of intangible assets		**(47,608)**	(23,250)
Proceeds from sale of property, plant and equipment		**4,161**	4,201
Proceeds from disposal of a subsidiary		**–**	46,428
Investments in jointly controlled entities		**–**	(127,967)
(Increase)/decrease in amounts due from jointly controlled entities		**(51,503)**	107,810
Deferred expenditure		**(348)**	(129)
(Increase)/decrease in deferred receivable		**(5,745)**	1,405
Decrease in finance lease receivable		**18,183**	39,965
Decrease in non-current investments		**4,784**	77
Increase in deposits paid for purchase of property, plant and equipment		**(214,376)**	–
Interest received		**8,621**	17,485
Increase in pledged bank deposits		**(5,661)**	(689)
Dividends received from jointly controlled entities		**86,680**	42,787
Dividends received from unlisted and listed investments		**–**	1,143
Net cash used in investing activities		**(4,747,585)**	(2,249,874)

	2010 HK$'000	2009 HK$'000
Cash flows from financing activities		
Issue of new shares	**37,708**	1,840
New bank loans	**5,398,043**	7,024
Repayment of bank loans	**(116,160)**	(543,160)
New fixed rate bonds	**1,595,523**	–
Buyback of convertible notes	**–**	(270,307)
Buyback of guaranteed notes	**(3,105,475)**	(987,224)
Capital element of finance lease payments	**(404,311)**	(4,389)
Decrease in loan from non-controlling interests	**(1,556)**	(40,502)
Dividends paid to non-controlling interests	**(8,968)**	(262)
Injection of capital from/(return of capital to) non-controlling interests	**97,545**	(4,517)
Net cash from/(used in) financing activities	**3,492,349**	(1,841,497)
Net increase/(decrease) in cash and cash equivalents	**850,388**	(2,526,392)
Cash and cash equivalents at beginning of year	**3,516,490**	6,042,300
Changes in exchange rates	**2,377**	582
Cash and cash equivalents at end of year	**4,369,255**	3,516,490

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital HK$'000	Reserves HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	393,817	6,617,467	7,011,284	262,616	7,273,900
Profit for the year	–	1,149,113	1,149,113	8,540	1,157,653
Other comprehensive income					
Change in fair value of non-current investments	–	7,744	7,744	–	7,744
Currency translation differences	–	(7,764)	(7,764)	220	(7,544)
Change in fair value of cash flow hedges	–	(3,173)	(3,173)	–	(3,173)
Total comprehensive income for the year	–	1,145,920	1,145,920	8,760	1,154,680
Transactions with equity holders					
Return of capital to non-controlling interests	–	–	–	(4,517)	(4,517)
Issue of shares upon exercise of share options	342	1,408	1,750	–	1,750
Fair value of share options granted	–	31,243	31,243	–	31,243
Share options lapsed	–	(21,660)	(21,660)	–	(21,660)
Dividend paid to non-controlling interests	–	–	–	(262)	(262)
At 31 December 2009	394,159	7,774,378	8,168,537	266,597	8,435,134
Profit for the year	–	898,455	898,455	16,081	914,536
Other comprehensive income					
Change in fair value of non-current investments	–	11,528	11,528	–	11,528
Currency translation differences	–	25,270	25,270	6,359	31,629
Derecognition of cash flow hedges	–	5,890	5,890	–	5,890
Total comprehensive income for the year	–	941,143	941,143	22,440	963,583
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	97,545	97,545
Issue of shares upon exercise of share options	1,281	34,553	35,834	–	35,834
Fair value of share options granted	–	51,423	51,423	–	51,423
Dividend paid to non-controlling interests	–	–	–	(8,968)	(8,968)
At 31 December 2010	**395,440**	**8,801,497**	**9,196,937**	**377,614**	**9,574,551**

1. General Information

Galaxy Entertainment Group Limited ("GEG" or the "Company") is a limited liability company incorporated in Hong Kong and has its listing on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). The address of its registered office and principal place of business is Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") are operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2011.

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention as modified by the revaluation of investment properties, non-current investments, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values.

At 31 December 2010, the Group's current liabilities exceeded its current assets by approximately HK$2,472 million and the Company's current liabilities exceeded its current assets by approximately HK$554 million. The net current liabilities consist of convertible notes and the related derivative financial liabilities of approximately HK$1,568 million in aggregate. These convertible notes have been converted into ordinary shares of the Company subsequent to the year end, which did not result in any cash outflow. In addition, taking into account the committed unutilised banking facilities of approximately HK$4.7 billion as at 31 December 2010, the Group and the Company considers its liquidity and financial position as a whole is healthy and has a reasonable expectation that the Group has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

(a) The adoption of new/revised HKFRS

In 2010, the Group adopted the following new/revised HKFRS issued by the HKICPA which are relevant to its operations.

HKFRS 2 (Amendment)	Share-based Payments
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible hedge items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2. Basis of Preparation (Continued)

(a) The adoption of new/revised HKFRS (Continued)

Annual improvements to HKFRS published in May 2009

HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations
HKFRS 8 (Amendment)	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets

The Group has assessed the impact of the adoption of these new/revised HKFRS and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements except for HKAS 27 (Revised) and HKFRS 3 (Revised) as set out below:

HKAS 27 (Revised) and HKFRS 3 (Revised) requires the effects of all transactions with non-controlling interests that do not result in the change of control to be recorded in equity and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value. The difference between its fair value and carrying amount is recognised in the consolidated income statement.

The adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) does not result in any impact on the Group's result in the current period nor the financial position at the end of the reporting period.

(b) New standards and interpretations to existing standards that are relevant but not yet effective

		Effective for accounting periods beginning on or after
New standards and interpretations		
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets	1 January 2012
HKFRS 9	Financial Instruments	1 January 2013
Annual improvements to HKFRS published in May 2010		
HKFRS 3 (Amendment)	Business combinations	1 July 2010
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 July 2010
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2011
HKAS 34 (Amendment)	Interim Financial Reporting	1 January 2011
HKFRS 7 (Amendment)	Financial instruments: Disclosure	1 January 2011

The Group has not early adopted the above standards and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of financial statements will be resulted.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December and the share of post acquisition results and reserves of its jointly controlled entities and associated companies attributable to the Group.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

3.2 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a direct or indirect shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Summary of Significant Accounting Policies (Continued)

3.2 Subsidiaries (Continued)

In the balance sheet of the Company, investments in subsidiaries are carried at cost together with advances by the Company which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 Non-controlling interests

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date of control or significant influence ceased became its cost for the purposes of subsequent accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010 (note 2(a)). As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

3. Summary of Significant Accounting Policies (Continued)

3.4 Jointly controlled entities and jointly controlled operations

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturer undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

The share of post-acquisition profits or losses of jointly controlled entities attributable to the Group is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the interest in the jointly controlled entities held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the jointly controlled entities have been changed where necessary to ensure consistency with the policies of the Group.

Interests in unincorporated jointly controlled operations are accounted for using the proportionate consolidation method under which the share of individual assets and liabilities, income and expenses and cash flows of jointly controlled operations is included in the relevant components of the consolidated financial statements.

3.5 Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence but not control is exercised in its management, generally accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies of the Group.

3. Summary of Significant Accounting Policies (Continued)

3.6 Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of any entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

3.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

No depreciation is provided on assets under construction until it is completed and is ready for use. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Leasehold improvement	Over the remaining period of the lease
Buildings	20 to 50 years
Plant and machinery	3 to 20 years
Gaming equipment	3 to 5 years
Other assets	2 to 10 years

The residual values and useful lives of the assets are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

Gains and losses on disposal is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the income statement.

3. Summary of Significant Accounting Policies (Continued)

3.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. It also includes properties that are being constructed or developed for future use as investment properties. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out annually by external valuers. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if the fair value gives rise to a reversal of the previous impairment loss, this write-back is recognised in the income statement.

3.9 Gaming licence

Gaming licence is carried at cost less accumulated amortisation and impairment losses. It has a finite useful life and is amortised over its estimated useful life of 17 years on a straight-line basis.

3.10 Computer software

Costs incurred to acquire and bring to use the specific computer software licences are capitalised and are amortised over their estimated useful lives of three years on a straight line basis. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

3.11 Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. Summary of Significant Accounting Policies (Continued)

3.12 Deferred expenditure

Quarry site development represents costs of constructing infrastructure at the quarry site to facilitate excavation. Overburden removal costs are incurred to bring the quarry site into a condition ready for excavation. Quarry site improvements represent estimated costs for environmental restoration and any changes in the estimates are adjusted in the carrying value of the quarry site improvements. These costs are amortised over the estimated useful lives of the quarries and sites concerned using the straight-line method.

Pre-operating costs are expensed as they are incurred.

3.13 Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss (including other investments), loans and receivable, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the investments were acquired.

(a) Financial assets at fair value through profit or loss (including other investments)
Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets carried at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Transaction costs are expensed in the income statement.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables of the Group include trade and other receivables, balances with group companies and cash and cash equivalents.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current investments unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction cost and subsequently carried at fair value.

Regular way purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Realised and unrealised gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are included in the income statement. Unrealised gains and losses arising from changes in fair value non-monetary available-for-sale investments are recognised in equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

3. Summary of Significant Accounting Policies (Continued)

3.13 Financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, refined to reflect the specific circumstances of the issuer. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the investment is measured at cost less impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale investments, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale investments are not reversed through the income statement.

3.14 Derivative financial instruments and hedging activities

Derivative financial instruments, including forward foreign exchange contracts and embedded derivative liability of convertible notes, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of hedging derivative is classified as a non-current asset or liability where the remaining maturity of the hedge item is more than twelve months, and as a current asset or liability, where the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

For fair value hedge, where the instruments are designated to hedge fair value of recognised assets or liabilities, changes in the fair value of these derivatives and the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement as finance costs. When the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which effective interest method is used is amortised to profit or loss over the period to maturity.

For cash flow hedge, where instruments are designated to hedge against the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Amounts accumulated in equity are reclassified in the income statement in the financial period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

Changes in fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

3. Summary of Significant Accounting Policies (Continued)

3.15 Debtors and prepayments

Debtors and prepayments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of debtors is reduced through the use of an allowance account and the amount of the provision is recognised in the income statement within other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited to the income statement against other operating expenses.

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of construction materials is calculated on the weighted average basis, comprising materials, direct labour and an appropriate proportion of production overhead expenditure. Cost of playing cards is determined using the first-in, first-out method and food and beverages using the weighted average method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement less bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company re-purchases its equity share capital, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the equity holders and the shares are cancelled.

3.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3. Summary of Significant Accounting Policies (Continued)

3.20 Convertible notes

(a) Convertible notes with equity component

Convertible notes that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes is determined using a market interest rate for an equivalent non-convertible note. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the note is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the note is redeemed, the relevant equity component is transferred to retained profit.

(b) Convertible notes without equity component

All other convertible notes which do not exhibit the characteristics mentioned in (a) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible notes is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as a liability under the contract. Transaction costs that relate to the issue of the convertible notes are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the income statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the note is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the note is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the income statement.

3.21 Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the remaining lease liability. The corresponding lease obligations, net of finance charges, are included under current and non-current liabilities. The finance charges are charged to the income statement over the lease periods. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

3. Summary of Significant Accounting Policies (Continued)

3.21 Leases (Continued)

Assets leased to third parties under agreements that transfer substantially all the risk and rewards incident to ownership of the relevant assets to the lessees are classified as investments in finance leases. The present value of the lease payments is recognised as a receivable in the balance sheet. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Gross earnings under finance leases are recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment in the leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, net of any incentives received from the lessors, are charged to the income statement on a straight line basis over the period of the leases. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. The amortisation of the leasehold land and land use rights is capitalised under the relevant assets when the property on the leasehold land is under construction.

3.22 Creditors and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.23 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, before any tax effects, that reflect current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.24 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Summary of Significant Accounting Policies (Continued)

3.24 Current and deferred taxation (Continued)

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.25 Special gaming tax and other related taxes to the Macau Government

According to the gaming concession granted by the Macau government and the relevant legislation, the Group is required to pay 35% gaming tax and 4% public development and social related contributions on the net gaming wins from gaming operations. In addition, the Group is also required to make certain variable and fixed payments to the Macau Government based on the number of tables and slot machines in its possession. These expenses are reported as "special gaming tax and other related taxes to the Macau Government" in the income statement and are charged to the income statement as incurred.

3.26 Commission and allowances to gaming counterparties

Commission and allowances to gaming counterparties is calculated based on certain percentages of net gaming wins or rolling amount and is recognised when the relevant services have been rendered by gaming counterparties.

3.27 Contributions from the operations of certain city club casinos

Contributions from the operations of certain city club casinos are recognised based on the established rates for the net gaming wins, after deduction of special gaming tax and other related taxes to the Macau Government, which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the certain city club casinos are not recognised as expenses of the Group in the financial statements.

3. Summary of Significant Accounting Policies (Continued)

3.28 Employee benefits

(a) Employees entitlement, benefits and bonus

Contributions to publicly or privately administered defined contribution retirement or pension plans on a mandatory, contractual or voluntary basis are recognised as employee benefit expense in the financial period when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after the balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(b) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options under the equity-settled, share-based compensation plan is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, estimates of the number of options that are expected to become exercisable are revised. The impact of the revision of original estimates, if any, is recognised in the income statement over the remaining voting period with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

3.29 Borrowing costs

Interest and related costs on borrowings directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to complete and prepare the assets for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the financial period in which they are incurred.

3.30 Revenue recognition

Revenue is shown, net of value-added tax, returns, rebates and discounts.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

3. Summary of Significant Accounting Policies (Continued)

3.30 Revenue recognition (Continued)

(a) Gaming operations

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business. Contributions from the operations of Certain City Club Casinos are recognized in the income statement as set out in note 3.27 above.

(b) Hotel operations

Revenue from hotel room rental and food and beverages sales is recognised when the relevant services have been rendered.

(c) Construction materials

Sales of construction materials are recognised when the goods are delivered and legal title is transferred to customers.

(d) Rental income

Rental income, net of any incentives given to the lessee, is recognised over the periods of the respective leases on a straight-line basis.

(e) Administrative fee

Administrative fee is recognised when the services have been rendered.

(f) Interest income

Interest income is recognised on a time proportion basis using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.31 Foreign currency translation

Items included in the consolidated financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation difference on non-monetary available-for-sale investments is included in equity.

3. Summary of Significant Accounting Policies (Continued)

3.31 Foreign currency translation (Continued)

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates ruling at the balance sheet date.

3.32 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3.33 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements of the Group and the Company in the financial period in which the dividend payable becomes legal and constructive obligations of the Company.

4. Financial Risk Management

The major financial instruments of the Group include trade and other receivables, amounts due from related parties, cash and bank balances, pledged bank deposits, non-current and other investments, trade and other creditors, amounts due to related parties and borrowings. Details of these financial instruments are disclosed in respective notes. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. It does not enter into or trade derivative financial instruments for speculative purpose. The management of the Group identifies, evaluates and manages significant financial risks in the individual operating units of the Group.

4. Financial Risk Management (Continued)

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, Macau and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Macau Patacas and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

Foreign currency exposures are covered by forward contracts and cross-currency interest rate swap contracts whenever appropriate.

As at 31 December 2010, the Group had entered into forward foreign exchange contracts to manage the foreign exchange risk.

The Group is not exposed to significant foreign exchange risk in respect of Hong Kong dollar against the United States dollar as long as these currencies are pegged.

(ii) Price risk

The Group is exposed to equity price changes arising from equity investments held by the Group classified on the consolidated balance sheet either as other investments (note 27) or non-current investments (see note 23(a)). Other than unquoted securities held for strategic purposes, all of these investments are listed. The Group is not exposed to commodity price risk.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at 31 December 2010, the Group was exposed to this risk through the conversion rights attached to the Convertible Notes issued by the Company as disclosed in note 32(c).

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The following table shows the approximate effect on the Group's profit after tax if the Company's own share price (for the conversion option of certain convertible bonds) were 10% (2009: 5%) higher or lower with all other variables held constant.

	2010 HK$'000	2009 HK$'000
If the market price of the Company's own share price were 10% (2009: 5%) higher with all other variables held constant		
Profit after tax for the year decreased by	**123,600**	9,900
If the market price of the Company's own share price were 10% (2009: 5%) lower with all other variables held constant		
Profit after tax for the year increased by	**110,000**	9,700

(iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of changes in the rates on interest bearing liabilities and assets. The Group follows a policy of developing long-term banking facilities to match its long-term investments in Hong Kong, Macau and Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise.

As the Group has no significant interest bearing assets, other than deposits and cash at banks and loan receivables, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rate risk of the Group arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Certain of the Company's long-term borrowings were issued at fixed rates, and expose the Company to fair value interest rate risk.

At 31 December 2010, if interest rates on floating rate borrowings at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK$6,520,000 (2009: HK$1,053,000) lower or higher mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2010, if interest rates on deposits and cash at banks at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK$15,550,000 (2009: HK$13,000,000) higher or lower.

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from derivative financial instruments and deposits with banks and financial institutions and loan receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions, and the gaming counterparties and premium players of gaming. Cash and bank balances are deposited in bank and financial institutions with sound credit ratings to mitigate the risk.

The Group has policies and guidelines in place to assess the credit worthiness of customers and gaming counterparties to ensure that credits are made to parties with an appropriate credit history and a good history of performance records. The top five debtors of the Group contribute to approximately 24% (2009: 31%) of the total trade and other debtors. As at 31 December 2010, other debtors included advances to gaming counterparties, and such advances contributed to approximately 41% (2009: 63%) of the other debtors balance. The Group monitors the issuance of credit on an ongoing basis to minimise the exposure to credit risk. The activities of individual credit account are monitored regularly for management to decide if the credit facility should be continued, changed or cancelled. Management regularly evaluates the allowance for doubtful receivables by reviewing the collectability of each balance based upon the age of the balance, the customer's financial condition, collection history and any other known information. Details of debtors are disclosed in note 25.

The maximum exposure at 31 December 2010 to financial assets represents the unimpaired carrying amounts of respective financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements (for example, currency restrictions).

Group Treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The contractual maturity of the Group and the Company for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company is required to pay and include both interest and principal, is set out below.

Taking into account the committed unutilised banking facilities of HK$4.7 billion as at 31 December 2010, the Group considers its liquidity and financial position as a whole is healthy and has a reasonable expectation that Group has adequate resources to meet its liabilities as and when they fall due.

Group

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2010					
Bank loans	**1,015,975**	**737,255**	**3,092,079**	**2,595,412**	**7,440,721**
Convertible notes	**1,284,063**	**–**	**–**	**–**	**1,284,063**
Fixed rate bonds	**75,007**	**75,007**	**1,696,783**	**–**	**1,846,797**
Obligations under finance leases	**451,105**	**451,105**	**451,106**	**–**	**1,353,316**
Provisions	**34,655**	**34,345**	**55,868**	**29,394**	**154,262**
Creditors and accruals (including non-current retention payable)	**5,243,615**	**–**	**67,647**	**–**	**5,311,262**
Amounts due to jointly controlled entities	**23,763**	**–**	**–**	**–**	**23,763**
At 31 December 2009					
Bank loans	158,385	2,606	7,494	10,547	179,032
Guaranteed notes	1,081,416	215,308	2,395,643	–	3,692,367
Convertible notes	–	1,279,526	–	–	1,279,526
Obligations under finance lease	451,105	451,105	902,211	–	1,804,421
Derivative financial instruments	508	–	–	–	508
Provisions	34,957	34,655	57,854	42,885	170,351
Creditors and accruals	4,115,549	–	–	–	4,115,549
Amounts due to jointly controlled entities	4,157	–	–	–	4,157

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Total HK$'000
At 31 December 2010				
Bank loans	**565,433**	**–**	**–**	**565,433**
Convertible notes	**1,284,063**	**–**	**–**	**1,284,063**
Fixed rate bonds	**75,007**	**75,007**	**1,696,783**	**1,846,797**
Creditors and accruals	**36,271**	**–**	**–**	**36,271**
At 31 December 2009				
Convertible notes	–	1,279,526	–	1,279,526
Creditors and accruals	14,130	–	–	14,130

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary. The Group may also adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total assets less cash and bank balances. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and bank balances. The Group intends to make use of excess funds to improve its capital structure through early repayment of borrowings to achieve finance cost saving in the future.

4. Financial Risk Management (Continued)

4.2 Capital risk management (Continued)

The gearing ratios at 31 December 2010 and 2009 were as follows.

	2010 HK$'000	2009 HK$'000
Total borrowings (note 32)	**(9,426,232)**	(5,843,191)
Less: cash and bank balances (note 28)	**4,428,495**	3,516,490
Net debt	**(4,997,737)**	(2,326,701)
Total assets less cash and bank balances	**20,757,679**	15,446,523
Gearing ratio	**24%**	15%

The increase in gearing ratio was mainly due to increase in bank borrowings for development of Galaxy Macau™ in Cotai, Macau.

4.3 Fair value estimation

The table below analyses financial instruments that are measured in the balance sheet at fair value, by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. Financial Risk Management (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010 and 2009:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2010				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	**20,463**	**–**	**–**	**20,463**
Available-for-sale financial assets				
– Equity securities	**56**	**–**	**50,128**	**50,184**
Derivative financial instruments	**–**	**2,475**	**–**	**2,475**
Total	**20,519**	**2,475**	**50,128**	**73,122**
Liabilities				
Derivative financial instruments	**–**	**–**	**387,242**	**387,242**
Total	**–**	**–**	**387,242**	**387,242**
At 31 December 2009				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	35,132	–	–	35,132
Available-for-sale financial assets				
– Equity securities	84	–	43,356	43,440
Derivative financial instruments	–	382	–	382
Total	35,216	382	43,356	78,954
Liabilities				
Derivative financial instruments	–	508	101,044	101,552
Total	–	508	101,044	101,552

4. Financial Risk Management (Continued)

4.3 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as other investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of cross-currency swaps is calculated as the present value of the stimulated future cash flows based on observable yield curves and forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

4. Financial Risk Management (Continued)

4.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2010 and 2009:

	Available-for-sale financial assets HK$'000	Derivative financial instruments HK$'000
Opening balance as of 1 January 2010	**43,356**	**(101,044)**
Losses recognised in profit or loss	**–**	**(286,198)**
Gains recognised in equity	**11,556**	**–**
Return of capital	**(4,784)**	**–**
Closing balance as of 31 December 2010	**50,128**	**(387,242)**
Total losses for the year included in profit or loss for assets held at end of year	**–**	**(286,198)**
Opening balance as of 1 January 2009	38,626	(16,283)
Losses recognised in profit or loss	(2,930)	(81,588)
Gains/(losses) recognised in equity	7,660	(3,173)
Closing balance as of 31 December 2009	43,356	(101,044)
Total losses for the year included in profit or loss for assets held at end of year	(2,930)	(94,224)

The nominal value less estimated credit adjustments of debtors and prepayments, creditors and accruals, balances with related parties are assumed to approximate their fair values.

5. Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Carrying amount of non-financial assets other than goodwill

The Group tests for possible reversal of impairment for assets within a cash generating unit that has suffered an impairment. The recoverable amount has been determined based on the higher of fair value less cost to sell and value-in-use. The methodologies are based upon estimates of future results, assumptions as to income and expenses of the business, future economic conditions on growth rates and estimation of the future returns.

5. Critical Accounting Estimates and Judgements (Continued)

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3.6. The recoverable amounts of cash generating units in the construction materials division have been determined based on value-in-use calculations. These calculations require the use of estimates, details of which are disclosed in note 18.

(c) Useful lives of property, plant and equipment

The management determines the estimated useful lives and residual values for its property, plant and equipment. Management will revise the depreciation charge where useful lives are different from previous estimates, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

(d) Impairment of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The fair value also reflects the discounted cash flows that could be expected from the ultimate sale after deducting the estimated expenses directly associated with the sale. The Group determines whether an investment is impaired by evaluating the duration and extent to which the fair value of an investment is less than its cost.

(e) Fair value of derivative financial instruments

The fair value of derivative financial instruments is with reference to the valuation performed by an independent valuer by reference to the Binomial model. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date.

(f) Provisions

The Group carries out environmental restoration for its quarry sites. Management estimates the related provision for future environmental restoration based on an estimate of future expenditure for the restoration. These provisions require the use of different assumptions, such as discount rates for the discounting of non-current provision due to time value of money, the timing and extents of cash outflows.

(g) Share-based payments

The fair value of option granted is estimated by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of granting the options.

(h) Taxation

The Group is subject to taxation in Hong Kong, Macau and Mainland China. Significant judgement is required in determining the provision for taxation for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation provisions in the financial period in which such determination is made.

5. Critical Accounting Estimates and Judgements (Continued)

(i) Provision for doubtful debts

The policy of provision for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts recoverable and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the collection history of each counterparty. The amount of provision made as at 31 December 2010 was HK$76,984,000 (2009: HK$109,371,000). If the financial conditions of counterparty were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be require.

6. Revenue

Revenue comprises turnover from sales of construction materials, gaming operations, hotel operations and administrative fees from gaming operations.

	2010 HK$'000	2009 HK$'000
Sales of construction materials	**1,241,715**	1,245,297
Gaming operations		
Net gaming wins	**17,622,855**	10,578,436
Contributions from Certain City Club Casinos (note)	**79,709**	101,543
Tips received	**11,639**	10,343
Hotel operations	**297,740**	284,426
Administrative fees from gaming operations	**8,475**	12,634
	19,262,133	12,232,679

(Note) In respect of the operations of certain city club casinos (the "Certain City Club Casinos"), the Group entered into certain agreements (the "Agreements") with third parties for a term equal to the life of the concession agreement with the Government of the Macau Special Administrative Region (the "Macau Government") up to June 2022.

Under the Agreements, certain service providers (the "Service Providers") undertake for the provision of a steady flow of customers to the Certain City Club Casinos and for procuring and/or introducing customers to these casinos. The Service Providers also agree to indemnify the Group against substantially all risks arising under the leases of the premises used by these casinos; and to guarantee payments to the Group of certain operating and administrative expenses. Revenue attributable to the Group is determined by reference to various rates on the net gaming wins.

After analysing the risks and rewards attributable to the Group, and the Service Providers under the Agreements, revenue from the Certain City Club Casinos is recognised based on the established rates for the net gaming wins, after deduction of special gaming taxes and other related taxes to the Macau Government, which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

During the year ended 31 December 2010, the Group is entitled to HK$79,709,000 (2009: HK$101,543,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

7. Segment Information

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). The Group continually reviews the content and presentation of the financial statements to consider their relevance and usefulness to readers. As a result of this ongoing review, the Group has changed the measurement basis of Adjusted EBITDA and has included share option expenses and donation expenses as adjusted items, comparative figures have been restated accordingly. The Group believes this revised measurement will provide users of the financial statements with a better understanding of the business. The revised measurement is also more closely aligned with the way management reviews performance internally. This measurement basis excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, net loss on buyback of guaranteed notes, gain on disposal of investments and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of forfeiture on equity-settled share-based payments, donation expenses, loss on derecognition of cash flow hedges, and unrealised gains or losses on financial instruments.

In accordance with the internal financial reporting and operating activities of the Group, the reportable segments are the gaming and entertainment segment and the construction materials segment. Corporate and treasury management represents corporate level activities including central treasury management and administrative function.

The reportable segments derive their revenue from the operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China.

There are no sales or trading transaction between the operating segments.

7. Segment Information (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
Year ended 31 December 2010				
Reportable segment revenue	**20,356,032**	**1,241,715**	**–**	**21,597,747**
Adjusted for:				
Certain City Club Casinos arrangement set out in note 6				
Revenue not recognised	**(2,416,991)**	**–**	**–**	**(2,416,991)**
Contributions	**79,709**	**–**	**–**	**79,709**
Others	**1,668**	**–**	**–**	**1,668**
Revenue recognised under HKFRS	**18,020,418**	**1,241,715**	**–**	**19,262,133**
Adjusted EBITDA	**1,974,657**	**348,014**	**(91,698)**	**2,230,973**
Interest income and gross earnings on finance lease				**14,659**
Amortisation and depreciation				**(510,519)**
Finance costs				**(59,142)**
Change in fair value of derivative under the convertible notes				**(286,058)**
Taxation charge				**(44,725)**
Taxation of jointly controlled entities				**(14,169)**
Adjusted items:				
Net loss on buyback of guaranteed notes				**(133,175)**
Pre-opening expenses of Galaxy Macau™ resort at Cotai				**(161,528)**
Unrealised loss on listed investments				**(14,669)**
Share option expenses				**(51,423)**
Donation expenses				**(20,854)**
Loss on derecognition of cash flow hedges				**(5,890)**
Loss on disposal and impairment of certain plant and equipment				**(26,553)**
Other				**(2,391)**
Profit for the year				**914,536**

7. Segment Information (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
Year ended 31 December 2009				
Reportable segment revenue	13,777,050	1,245,297	–	15,022,347
Adjusted for:				
Certain City Club Casinos arrangement set out in note 6				
Revenue not recognised	(2,898,329)	–	–	(2,898,329)
Contributions	101,543	–	–	101,543
Others	7,118	–	–	7,118
Revenue recognised under HKFRS	10,987,382	1,245,297	–	12,232,679
Adjusted EBITDA	1,001,395	252,740	(93,249)	1,160,886
Interest income and gross earnings on finance lease				27,565
Amortisation and depreciation				(541,097)
Finance costs				(138,993)
Change in fair value of derivative under the convertible notes				(96,295)
Taxation charge				(75,726)
Taxation of jointly controlled entities				(7,473)
Adjusted items:				
Net gain on buyback of guaranteed notes				623,838
Gain on buyback of convertible notes				191,267
Reversal upon forfeiture of share options				21,225
Pre-opening expenses of Galaxy Macau™ resort at Cotai				(33,365)
Unrealised gain on listed investments				19,558
Share option expenses				(30,809)
Donation expenses				(10,750)
Gain on disposal of a subsidiary				148,385
Impairment of investment in and advance to a non-current investment				(22,757)
Termination of cross currency swaps				(6,895)
Other provision				(70,911)
Profit for the year				1,157,653

7. Segment Information (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
As at 31 December 2010				
Total assets	**20,413,296**	**3,151,052**	**1,621,826**	**25,186,174**
Total assets include:				
Jointly controlled entities	**13,325**	**1,028,822**	**–**	**1,042,147**
Associated company	**–**	**–**	**–**	**–**
Total liabilities	**10,456,163**	**1,398,626**	**3,756,834**	**15,611,623**
As at 31 December 2009				
Total assets	16,311,283	2,596,784	54,946	18,963,013
Total assets include:				
Jointly controlled entities	8,210	994,851	–	1,003,061
Associated company	–	857	–	857
Total liabilities	8,530,191	792,754	1,204,934	10,527,879

Geographical analysis

Year ended 31 December	2010 HK$'000	2009 HK$'000
Revenue		
Macau	**18,092,665**	11,031,432
Hong Kong	**782,276**	679,557
Mainland China	**387,192**	521,690
	19,262,133	12,232,679

7. Segment Information (Continued)

Geographical analysis (Continued)

Non-current assets, other than financial instruments	**As at 31 December 2010 HK$'000**	As at 31 December 2009 HK$'000
Macau	**17,619,030**	12,613,974
Hong Kong	**599,800**	655,034
Mainland China	**1,431,543**	1,068,284
	19,650,373	14,337,292

8. Other Income/Gains, Net and Profit before Taxation

	2010 HK$'000	2009 HK$'000
(a) Other income/gains, net		
Rental income from investment properties	**5,911**	5,549
Interest income		
Bank deposits	**3,708**	12,069
Loans to jointly controlled entities (note 26a)	**5,055**	5,041
Deferred receivables (note 23c)	**1,188**	792
Dividend income from unlisted investments	**–**	600
Dividend income from listed investments	**–**	543
Gross earnings on finance lease	**4,708**	9,663
Change in fair value of forward contracts	**11,917**	–
Reversal of provision for other liabilities	**9,588**	–
Others	**26,807**	15,516
	68,882	49,773
Unrealised (loss)/gain on listed investments	**(14,669)**	19,558
Gain on disposal of a subsidiary	**–**	148,385
Change in fair value of investment properties	**10,300**	2,200
Loss on disposal of property, plant and equipment	**(20,576)**	(5,723)
Loss on disposal of intangible assets	**–**	(588)
Impairment of property, plant and equipment	**(11,770)**	–
Foreign exchange (loss)/gain	**(6,711)**	7,431
	(43,426)	171,263
	25,456	221,036

8. Other Income/Gains, Net and Profit before Taxation (Continued)

	2010 HK$'000	2009 HK$'000
(b) Profit before taxation is stated after charging		
Depreciation	**326,306**	347,584
Amortisation		
Gaming licence	**106,337**	106,337
Computer software	**12,464**	13,042
Quarry site improvements	**16,216**	16,216
Overburden removal costs	**8,385**	8,385
Quarry site development	**316**	564
Leasehold land and land use rights	**40,495**	48,969
Operating lease rental		
Land and buildings	**25,483**	39,339
Royalty	**6,899**	5,045
Staff costs, including Directors' remuneration (note)	**1,342,296**	1,188,709
Outgoing in respect of investment properties	**522**	460
Auditor's remuneration		
Audit services		
Provision for the year	**7,152**	6,379
Under-provision in the prior year	**1,637**	698
Non-audit services		
Provision for the year	**418**	754
(Over)/under-provision in the prior year	**(194)**	23

Note: Staff costs is stated after amount capitalised in assets under construction in the aggregate of HK$108,923,000 (2009: HK$63,650,000), and include share option expenses of HK$51,423,000 (2009: HK$9,584,000).

9. Management Remuneration

(a) Directors' remuneration

	Fees HK$'000	Salary, allowance and benefit in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Share options (note d) HK$'000	2010 Total HK$'000	2009 Total HK$'000
Executive Directors							
Dr. Che-woo Lui	150	7,200	4,000	360	4,026	**15,736**	7,974
Mr. Francis Lui Yiu Tung	190	10,187	6,332	509	5,836	**23,054**	16,224
Mr. Chan Kai Nang	–	–	–	–	–	**–**	33
Mr. Joseph Chee Ying Keung	130	3,132	871	277	684	**5,094**	4,086
Ms. Paddy Tang Lui Wai Yu	130	1,494	–	75	2,334	**4,033**	2,047
	600	22,013	11,203	1,221	12,880	**47,917**	30,364
Non-executive Directors							
Dr. Charles Cheung Wai Bun	–	–	–	–	–	**–**	111
Dr. Moses Cheng Mo Chi	108	–	–	–	–	**108**	180
Mr. James Ross Ancell	250	–	–	–	–	**250**	187
Dr. William Yip Shue Lam	233	–	–	–	–	**233**	140
Mr. Anthony Thomas Christopher Carter	130	–	–	–	–	**130**	100
Dr. Martin Clarke	–	–	–	–	–	**–**	–
Mr. Guido Paolo Gamucci	–	–	–	–	–	**–**	–
Dr. Patrick Wong Lung Tak	280	–	–	–	–	**280**	81
Mr. Henry Lin Chen	–	–	–	–	–	**–**	–
	1,001	–	–	–	–	**1,001**	799
Total 2010	**1,601**	**22,013**	**11,203**	**1,221**	**12,880**	**48,918**	
Total 2009	1,302	17,953	295	1,011	10,602		31,163

(i) The discretionary bonuses and directors' fees paid in 2010 were in relation to performance and services for 2009.

(ii) Mr. Chan Kai Nang retired as an Executive Director on 1 May 2008, Dr. Charles Cheung Wai Bun retired as an Independent Non-executive Director on 19 June 2008 and Dr. Moses Cheng Mo Chi retired as a Non-executive Director on 22 June 2009. Directors' fees paid to Mr. Chan and Dr. Cheung in 2009 were in relation to their services for 2008. Directors' fees paid to Dr. Cheng in 2010 were in relation to his services for 2009.

(iii) Mr. Guido Paolo Gamucci resigned as a Non-executive Director on 20 January 2010 and Mr. Henry Lin Chen was appointed as a Non-executive Director on the same day.

9. Management Remuneration (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2009: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2009: three) are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other emoluments	**14,579**	15,535
Discretionary bonuses	**6,504**	4,061
Retirement benefits	**388**	148
Share options (note d)	**8,745**	2,453
	30,216	22,197

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2010	2009
HK$6,500,001 – HK$7,000,000	**–**	2
HK$7,500,001 – HK$8,000,000	**1**	–
HK$8,500,001 – HK$9,000,000	**–**	1
HK$10,000,001 – HK$10,500,000	**1**	–
HK$12,000,001 – HK$12,500,000	**1**	–
	3	3

9. Management Remuneration (Continued)

(c) Retirement benefit schemes

In Hong Kong, the Group makes monthly contributions to the Mandatory Provident Fund (MPF) Scheme equal to 5% of the relevant income of the employees in compliance with the legislative requirement. In addition, the Group also makes defined top-up contributions to the same scheme or the Occupational Retirement Scheme Ordinance (ORSO) Scheme for employees depending on circumstance. For the top-up schemes, the Group's contributions to the schemes may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the Schemes are held separately from those of the Group in independently administered funds.

The Group also operates a defined contribution scheme which is a unitized scheme, for eligible employees in Macau. The Galaxy Staff Pension Fund Scheme is established and managed by an independent management company appointed by the Group. Both the Group and the employees make equal share of monthly contributions to the scheme.

Employees in Mainland China participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 10% to 22%, dependent upon the applicable local regulations. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

The costs of the retirement benefit schemes charged to the income statement during the year comprise contributions to the schemes of HK$39,997,000 (2009: HK$27,162,000), after deducting forfeitures of HK$5,500,000 (2009: HK$17,370,000), leaving HK$27,000 (2009: HK$1,784,000) available to reduce future contributions.

(d) Share options

The value of the share options granted to the Directors and employees under the share option scheme of the Company represents the fair value of these options charged to the income statement for the year according to their vesting periods.

10. Finance Costs

	2010 HK$'000	2009 HK$'000
Interest expenses		
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	**92,756**	316,596
Convertible notes wholly repayable within five years	**99,665**	102,456
Fixed rate bonds wholly repayable within five years	**3,931**	–
Bank loans not wholly repayable within five years	**98,627**	–
Bank loans and overdrafts wholly repayable within five years	**32,538**	12,453
Obligations under finance leases wholly payable within five years	**51,502**	439
Net gain from cross-currency swap contracts for hedging	**–**	(25,643)
Other borrowing costs	**1,795**	11,392
	380,814	417,693
Amount capitalised in assets under construction	**(321,672)**	(278,700)
	59,142	138,993

11. Taxation Charge

	2010 HK$'000	2009 HK$'000
Current taxation		
Hong Kong profits tax	**19,371**	11,511
Mainland China income tax	**9,356**	7,239
Macau complementary tax	**485**	75
Net under-provision in prior years (note a)	**9,842**	52,241
Deferred taxation (note 33)	**5,671**	4,660
Taxation charge	**44,725**	75,726

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, and these rates range from 12% to 25% (2009 : 12% to 25%).

11. Taxation Charge (Continued)

The taxation on the profit before taxation of the Group differs from the theoretical amount that would arise using the applicable taxation rate being the weighted average of rates prevailing in the countries in which the Group operates, is as follows:

	2010 HK$'000	2009 HK$'000
Profit before taxation	**959,261**	1,233,379
Share of profits less losses of		
Jointly controlled entities	**(141,866)**	(85,845)
Associated company	**857**	(127)
	818,252	1,147,407
Tax calculated at applicable tax rate	**82,201**	122,670
Income not subject to tax	**(711)**	(108,585)
Profit exempted from Macau Complementary Tax (note b)	**(212,512)**	(108,919)
Expenses not deductible for tax purpose	**101,749**	60,501
Utilisation of previously unrecognised tax losses	**(6,108)**	(4,580)
Tax losses not recognised	**53,406**	52,760
Net under-provision of tax	**9,842**	52,267
Mainland China withholding tax	**16,858**	9,612
Taxation charge	**44,725**	75,726

(note a) The Group has settled with the Inland Revenue Department in respect of tax enquiries for a subsidiary of the Group for certain prior years tax assessments in 2010. Further tax provision of HK$15 million has been made for the year ended 31 December 2010 based on the final assessments.

(note b) Pursuant to the Despatch No. 249/2004 issued by the Chief Executive of the Macau Government on 30 September 2004, the Group is exempted from Macau Complementary Tax on its gaming activities for five years effective from the 2004 year of assessment till year 2008. Pursuant to the Despatch No. 326/2008 issued by the Chief Executive of the Macau Government on 20 November 2008, the Group is exempt from Macau Complementary Tax on its gaming activities for five years effective from the 2009 year of assessment till year 2013.

12. Loss Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company includes the Company's loss of HK$452,820,000 (2009: loss of HK$34,076,000).

13. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible notes and share options. Diluted earnings per share for the year ended 31 December 2010 and 2009 did not assume the conversion of the convertible notes during the year since the conversion would have an anti-dilutive effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of basic and diluted earnings per share for the year is based on the following:

	2010 HK$'000	2009 HK$'000
Profit attributable to equity holders of the Company	**898,455**	1,149,113

	Number of shares	
	2010	2009
Weighted average number of shares for calculating basic earnings per share	**3,945,153,249**	3,938,463,224
Effect of dilutive potential ordinary shares		
Share options	**36,774,541**	5,670,154
Weighted average number of shares for calculating diluted earnings per share	**3,981,927,790**	3,944,133,378

14. Dividends

The Board of Directors does not declare any dividend for the year ended 31 December 2010 (2009: nil).

15. Property, Plant and Equipment

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Gaming equipment and other assets HK$'000	Assets under construction HK$'000	Total HK$'000
Cost						
At 31 December 2009	1,582,023	105,286	1,335,554	1,040,676	4,664,022	8,727,561
Exchange differences	941	108	5,852	5,763	–	12,664
Additions	46	234	65,717	32,094	5,501,530	5,599,621
Disposals	(1,044)	(4,784)	(58,244)	(15,101)	–	(79,173)
At 31 December 2010	1,581,966	100,844	1,348,879	1,063,432	10,165,552	14,260,673
Accumulated depreciation and impairment						
At 31 December 2009	116,323	60,873	719,450	655,451	–	1,552,097
Exchange differences	321	87	3,581	4,768	–	8,757
Charge for the year	35,288	20,751	118,465	151,802	–	326,306
Disposals	(105)	(4,714)	(15,548)	(12,329)	–	(32,696)
Impairment charge	–	–	3,631	8,139	–	11,770
At 31 December 2010	151,827	76,997	829,579	807,831	–	1,866,234
Net book value						
At 31 December 2010	**1,430,139**	**23,847**	**519,300**	**255,601**	**10,165,552**	**12,394,439**
Cost						
At 31 December 2008	1,582,702	80,809	1,394,341	1,039,250	3,685,424	7,782,526
Exchange differences	44	4	267	286	–	601
Additions	925	35,863	5,099	32,927	978,598	1,053,412
Disposal of a subsidiary	(1,648)	–	–	–	–	(1,648)
Disposals	–	(11,390)	(64,153)	(31,787)	–	(107,330)
At 31 December 2009	1,582,023	105,286	1,335,554	1,040,676	4,664,022	8,727,561
Accumulated depreciation and impairment						
At 31 December 2008	81,821	50,566	662,871	506,485	–	1,301,743
Exchange differences	14	3	151	228	–	396
Charge for the year	34,708	20,852	120,513	171,511	–	347,584
Disposal of a subsidiary	(220)	–	–	–	–	(220)
Disposals	–	(10,548)	(64,085)	(22,773)	–	(97,406)
At 31 December 2009	116,323	60,873	719,450	655,451	–	1,552,097
Net book value						
At 31 December 2009	1,465,700	44,413	616,104	385,225	4,664,022	7,175,464

15. Property, Plant and Equipment (Continued)

Group (Continued)

(a) Other assets comprise barges, furniture and equipment, operating equipment and motor vehicles.

(b) During the year, borrowing costs of HK$321,672,000 (2009: HK$278,700,000) were capitalised and included in assets under construction. A capitalisation rate of 8.54% (2009: 8.41%) was used, representing the effective finance costs of the loans used to finance the assets under construction.

(c) During the year, staff costs of HK$108,923,000 (2009: HK$63,650,000) were capitalised and included in assets under construction.

16. Investment Properties

	Group	
	2010	2009
	HK$'000	HK$'000
At fair value		
Beginning of year	**66,700**	64,500
Change in fair value	**10,300**	2,200
End of year	**77,000**	66,700

Investment properties are held under leases of 10 to 50 years in Hong Kong and were valued on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional valuers.

17. Leasehold Land and Land Use Rights

	Group	
	2010	2009
	HK$'000	HK$'000
Net book value at beginning of year	**4,347,228**	1,540,529
Exchange differences	**114**	5
Additions	**23,504**	2,862,972
Amortisation	**(40,495)**	(56,278)
Net book value at end of year	**4,330,351**	4,347,228
Cost	**4,653,133**	4,629,486
Accumulated amortisation	**(322,782)**	(282,258)
Net book value	**4,330,351**	4,347,228
Represented by		
Finance lease of between 10 to 50 years		
Macau	**4,087,804**	4,122,278
Hong Kong	**215,705**	221,637
	4,303,509	4,343,915
Operating lease of between 10 to 50 years		
Mainland China	**26,842**	3,313
	4,330,351	4,347,228

Leasehold land held under finance lease in Macau included a piece of land in Cotai, Macau amounting to HK$2,847 million (2009: HK$2,847 million), for which net book value of HK$1,446 million (2009: HK$1,446 million) is under development and HK$1,401 million (2009: HK$1,401 million) is held for development for specific uses.

18. Intangible Assets

Group

	Goodwill (note a) HK$'000	Gaming licence (note b) HK$'000	Computer software HK$'000	Total HK$'000
Cost				
At 31 December 2008	33,014	16,887,329	34,644	16,954,987
Additions	–	–	23,250	23,250
Disposals	–	–	(594)	(594)
At 31 December 2009	33,014	16,887,329	57,300	16,977,643
Additions	–	–	47,608	47,608
At 31 December 2010	33,014	16,887,329	104,908	17,025,251
Accumulated amortisation and impairment				
At 31 December 2008	–	15,452,503	14,445	15,466,948
Charge for the year	–	106,337	13,042	119,379
Disposals	–	–	(6)	(6)
At 31 December 2009	–	15,558,840	27,481	15,586,321
Charge for the year	–	106,337	12,464	118,801
At 31 December 2010	–	15,665,177	39,945	15,705,122
Net book value				
At 31 December 2010	**33,014**	**1,222,152**	**64,963**	**1,320,129**
At 31 December 2009	33,014	1,328,489	29,819	1,391,322

(a) Goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segment. Goodwill with carrying amount of HK$28,524,000 (2009: HK$28,524,000) and HK$4,490,000 (2009: HK$4,490,000) is allocated to the construction materials segment in Macau and Hong Kong respectively. The recoverable amount of the business unit is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in the value-in-use calculations are based on the best estimates of growth rates and discount rates of the respective segments.

(b) Gaming licence represents the fair value of licence acquired on the acquisition of Galaxy Casino, S.A. in 2005 and has been amortised on a straight line basis over the remaining term of the gaming licence which will expire in June 2022.

19. Interests in subsidiaries

	Company	
	2010 **HK$'000**	2009 HK$'000
Unlisted shares, at cost	**1**	1
Loans receivable from a subsidiary	**3,830,000**	3,830,000
	3,830,001	3,830,001
Amounts due from subsidiaries	**15,877,126**	15,265,501
Provision	**(10,512,073)**	(10,512,073)
Amounts due from subsidiaries, net of provision	**5,365,053**	4,753,428
	9,195,054	8,583,429

The loans receivable are denominated in Hong Kong dollar, unsecured, interest free, repayable at the subsidiary's discretion and are regarded as equity loans.

The amounts receivable are denominated in Hong Kong dollar, unsecured, interest free and are regarded as equity loans.

Details of the subsidiaries which, in the opinion of the Directors, materially affect the results and/or net assets of the Group are given in note 44(a).

20. Jointly Controlled Entities

	Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	**1,042,147**	1,003,061

(a) The share of assets, liabilities and results of the jointly controlled entities attributable to the Group is summarised below:

	2010 HK$'000	2009 HK$'000
Non-current assets	**1,090,333**	968,523
Current assets	**531,707**	453,504
Current liabilities	**(403,164)**	(330,157)
Non-current liabilities	**(176,729)**	(88,809)
	1,042,147	1,003,061
Income	**1,091,955**	664,175
Expenses	**(950,089)**	(578,330)
Share of results for the year	**141,866**	85,845

(b) Details of the jointly controlled entities which, in the opinion of the Directors, materially affect the results and/or net assets of the Group are given in note 44(b).

21. Associated Company

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**–**	857

(a) The share of assets, liabilities and results of the associated company attributable to the Group is summarised as follows:

	2010 **HK$'000**	2009 HK$'000
Non-current assets	**20,881**	9,103
Current assets	**11,277**	16,946
Current liabilities	**(11,375)**	(6,868)
Non-current liabilities	**(20,783)**	(18,324)
	–	857
Income	**26,015**	23,830
Expenses	**(26,872)**	(23,703)
Share of results for the year	**(857)**	127

(b) Details of the associated company are given in note 44(c).

22. Derivative Financial Instruments

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Current assets				
Forward foreign exchange contracts (note a)	**2,475**	382	**2,475**	–
Non-current liabilities				
Derivative component of the Convertible Notes (note 32c)	**–**	(101,044)	**–**	(101,044)
Current liabilities				
Derivative component of the Convertible Notes (note 32c)	**(387,242)**	–	**(387,242)**	–
Forward foreign exchange contracts (note a)	**–**	(508)	**–**	–
	(387,242)	(101,552)	**(387,242)**	(101,044)

(a) The notional principal amounts of the outstanding forward foreign exchange contracts were US$165 million (2009: US$314 million) as at 31 December 2010.

23. Other Non-Current Assets

	Group	
	2010 HK$'000	2009 HK$'000
Non-current investments (note a)	**50,184**	43,440
Finance lease receivable (note b)	**30,729**	44,957
Deferred expenditure		
Overburden removal costs	**20,316**	28,353
Quarry site development	**1,107**	1,423
Quarry site improvements	**56,679**	72,973
Deferred receivable (note c)	**112,916**	107,935
Deposits paid for property, plant and equipment	**214,376**	–
Pledged bank deposits (note d)	**–**	53,579
	486,307	352,660

23. Other Non-Current Assets (Continued)

(a) Non-current investments

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted investments, at fair value	**50,128**	43,356
Listed investments, at fair value	**56**	84
Advances to investee companies	**23,010**	23,010
Less : Provision for impairment	**(23,010)**	(23,010)
	50,184	43,440

Advances to investee companies are denominated in Hong Kong dollar, unsecured, interest free and have no fixed terms of repayment. They are considered equity in nature.

(b) Finance lease receivable

	Group	
	2010	2009
	HK$'000	HK$'000
Gross receivable	**62,081**	86,660
Unearned finance income	**(3,193)**	(9,589)
	58,888	77,071
Current portion included in current assets (note 25)	**(28,159)**	(32,114)
	30,729	44,957

Finance lease receivable represents reimbursement of gaming equipment from the Service Providers. There are no unguaranteed residual values accrued to the Group and no contingent income was recognised during the year.

23. Other Non-Current Assets (Continued)

(b) Finance lease receivable (Continued)

The finance lease is receivable in the following years:

	Present value		Minimum receipts	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**28,159**	32,114	**30,355**	37,644
Between one and five years	**30,729**	44,957	**31,726**	49,016
	58,888	77,071	**62,081**	86,660

(c) Deferred receivable includes consideration receivable in respect of the partial disposal of a subsidiary in 2009 amounting HK$106,416,000 (2009: HK$105,916,000) and advances to various contractors amounting HK$6,500,000 (2009: HK$2,019,000).

The consideration receivable is unsecured, interest free and payable in seven annual instalments with first instalment payable on 18 February 2012.

The advances are secured by assets provided by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2016. The current portion of the receivable is included under other debtors.

(d) At 31 December 2009, deposits of HK$54 million are pledged to secure banking facilities extended to the Group which comprise a guarantee amounting to HK$291 million for the period from 1 April 2007 to the earlier of 90 days after the expiry of the Concession Agreement or 31 March 2022 which is in favour of the Macau Government against the legal and contractual liabilities of the Company and the Group under the Concession Agreement.

24. Inventories

	Group	
	2010 HK$'000	2009 HK$'000
Construction materials		
Aggregates and sand	**27,299**	32,017
Concrete pipes and blocks	**7,431**	7,291
Cement	**9,787**	6,223
Spare parts	**12,939**	14,695
Consumables	**10,613**	9,909
	68,069	70,135
Gaming and entertainment		
Playing cards	**9,370**	6,602
Food and beverages	**3,393**	2,646
Consumables	**6,281**	5,437
	19,044	14,685
	87,113	84,820

25. Debtors and Prepayments

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Trade debtors, net of provision (note a)	**363,324**	415,506	**–**	–
Other debtors, net of provision (note b)	**413,626**	414,048	**834**	3
Prepayments	**35,112**	25,243	**175**	584
Amount due from an associated company (note c)	**12,413**	7,951	**–**	–
Current portion of finance lease receivable (note 23(b))	**28,159**	32,114	**–**	–
	852,634	894,862	**1,009**	587

25. Debtors and Prepayments (Continued)

(a) Trade debtors mainly arise from the sales of construction materials. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days for customers in Hong Kong and Macau and 120 to 180 days for customers in Mainland China. These are subject to periodic reviews by management.

The ageing analysis of trade debtors of the Group based on the invoice dates and net of provision for bad and doubtful debts is as follows:

	2010 HK$'000	2009 HK$'000
Within one month	**142,565**	125,774
Two to three months	**113,507**	129,995
Four to six months	**65,799**	92,749
Over six months	**41,453**	66,988
	363,324	415,506

The carrying amounts of trade debtors of the Group are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Renminbi	**196,578**	250,967
Hong Kong dollar	**133,677**	131,991
Macau Patacas	**29,532**	32,548
US dollar	**3,537**	–
	363,324	415,506

25. Debtors and Prepayments (Continued)

(a) (Continued)

Included in the Group's trade debtors were debtors with a carrying amount of HK$247,404,000 (2009: HK$257,058,000) which were not yet due. Debtors with a carrying amount of HK$115,920,000 (2009: HK$158,448,000) were past due over their credit terms for which the Group has not provided for impairment loss. The ageing analysis of these trade debtors based on due dates is as follows:

	2010 HK$'000	2009 HK$'000
Overdue:		
Within one month	**51,916**	48,572
Two to three months	**35,225**	46,262
Four to six months	**18,795**	37,472
Over six months	**9,984**	26,142
	115,920	158,448

Trade debtors that were not yet due or overdue but not provided for impairment loss relate to a number of customers that have a good repayment track record with the Group. Based on past experience, management believes that no impairment provision is necessary for these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2010, trade debtors of the Group amounting to HK$39,367,000 (2009: HK$58,754,000) were impaired and fully provided for. The factors the Group considered in determining whether the trade debtors were impaired are disclosed in note 3.15.

Movements in the provision for impairment of trade debtors are as follows:

	2010 HK$'000	2009 HK$'000
Balance at 1 January	**58,754**	60,716
Provision for impairment of receivables	**–**	2,262
Receivables written off during the year as uncollectible	**(21,189)**	(4,326)
Exchange differences	**1,802**	102
Balance at 31 December	**39,367**	58,754

25. Debtors and Prepayments (Continued)

(b) Other debtors include advances denominated in Hong Kong dollar to gaming counterparties which are repayable on demand. These advances are granted with reference to their credit history and business volumes. Such advances are interest free, secured, and the Group has the right, pursuant to the relevant credit agreements, to set off the overdue advances with payables due from the Group to these entities.

As of 31 December 2010, other debtors of the Group amounting to HK$37,617,000 (2009: HK$50,617,000) were impaired and fully provided for.

(c) Amount receivable is unsecured, interest free and repayable in accordance with agreed terms. The amount is denominated in Hong Kong dollar.

26. Amounts Due From/(to) Jointly Controlled Entities

	Group	
	2010 HK$'000	2009 HK$'000
Amounts due from jointly controlled entities (note a)	**143,059**	91,556
Amounts due to jointly controlled entities (note b)	**(23,763)**	(4,157)

(a) Amounts receivable of HK$89,031,000 (2009: HK$68,056,000), carry interest at prevailing market rate and are repayable within one year, all of which are unsecured. The remaining amounts receivable of HK$54,028,000 (2009: HK$23,500,000) are unsecured, interest free and have no fixed term of repayment. The amounts receivable are mainly denominated in US dollar and HK dollar.

(b) Amounts payable are unsecured, interest free and have no fixed terms of repayment. The amounts payable are mainly denominated in Renminbi.

27. Other Investments

	Group	
	2010 HK$'000	2009 HK$'000
Equity securities listed in Hong Kong, at fair value	**20,463**	35,132

28. Cash and Bank Balances

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Cash at bank and on hand	**1,555,463**	1,263,525	**13,697**	657
Short-term bank deposits	**2,813,792**	2,252,965	**1,598,410**	40,610
Cash and cash equivalents	**4,369,255**	3,516,490	**1,612,107**	41,267
Pledged bank deposits	**59,240**	–	**–**	–
	4,428,495	3,516,490	**1,612,107**	41,267

The carrying amounts of cash and bank balances are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Hong Kong dollar	**2,570,982**	2,658,262	**13,693**	38,730
US dollar	**15,061**	706,447	**3**	10
Macau Patacas	**89,492**	80,124	**–**	–
Renminbi	**1,752,076**	69,130	**1,597,527**	–
UK pound	**884**	2,527	**884**	2,527
	4,428,495	3,516,490	**1,612,107**	41,267

28. Cash and Bank Balances (Continued)

The credit quality of cash and bank balances of the Group can be assessed by reference to external credit ratings (if available) as follows:

	2010 HK$'000	2009 HK$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA– to AA+	**530,919**	822,115
A– to A+	**2,232,335**	371,869
BBB+	**631,855**	1,345,360
BBB	**206,025**	234,842
Unrated and cash on hand	**827,361**	742,304
	4,428,495	3,516,490

29. Share Capital

	Ordinary shares of HK$0.10 each	HK$'000
Authorised:		
At 31 December 2009 and at 31 December 2010	**9,000,000,000**	**900,000**
Issued and fully paid:		
At 31 December 2008	3,938,169,361	393,817
Issue of shares upon exercise of share options	3,420,000	342
At 31 December 2009	3,941,589,361	394,159
Issue of shares upon exercise of share options	12,808,883	1,281
At 31 December 2010	**3,954,398,244**	**395,440**

30. Share Option Scheme

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees. The existing scheme was adopted on 30 May 2002. Under the scheme, share options may be granted to, amongst others, Directors, senior executives or employees of the Company or its affiliates. Consideration to be paid by the grantee on acceptance of each grant of option is HK$1.00. The period within which the shares may be taken up under an option is determined by the Board at the time of grant, except that such period shall not expire later than ten years from the date of grant of the option.

Movements in the number of share options outstanding and their related weighted average exercise price during the year are as follows:

	2010		2009	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
At beginning of year	**3.37**	**101,842,000**	5.16	97,284,000
Granted	**4.92**	**51,180,000**	2.32	62,248,000
Exercised	**2.94**	**(12,808,883)**	0.54	(3,420,000)
Lapsed	**2.94**	**(6,967,113)**	5.56	(54,270,000)
At end of year	**4.03**	**133,246,004**	3.37	101,842,000
Vested at end of year	**3.65**	**44,187,491**	3.84	30,451,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$6.18 (2009: HK$3.33).

The options outstanding at 31 December 2010 have exercise prices ranging from HK$0.514 to HK$6.972 (2009: HK$0.514 to HK$6.972) with weighted average remaining contractual life of 4.04 years (2009: 4.35 years).

30. Share Option Scheme (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Exercise period	Exercise price per share HK$	Number of share options 2010	Number of share options 2009
Directors			
1 March 2004 to 28 February 2013	0.514	**3,870,000**	3,870,000
22 October 2005 to 21 October 2011	4.590	**14,200,000**	14,200,000
22 October 2006 to 21 October 2011	4.590	**2,340,000**	2,340,000
17 January 2010 to 16 January 2014	6.972	**2,612,500**	2,612,500
17 January 2011 to 16 January 2014	6.972	**2,612,500**	2,612,500
17 January 2012 to 16 January 2014	6.972	**5,225,000**	5,225,000
18 August 2009 to 17 August 2014	3.320	**383,000**	383,000
8 May 2010 to 7 May 2015	2.160	**3,483,332**	3,483,332
8 May 2011 to 7 May 2015	2.160	**3,483,332**	3,483,332
8 May 2012 to 7 May 2015	2.160	**3,483,336**	3,483,336
21 October 2010 to 20 October 2015	3.600	**642,000**	642,000
11 October 2011 to 10 October 2016	6.810	**3,483,332**	–
11 October 2012 to 10 October 2016	6.810	**3,483,332**	–
11 October 2013 to 10 October 2016	6.810	**3,483,336**	–
Employees and others			
1 March 2004 to 28 February 2013	0.514	**110,000**	110,000
22 October 2005 to 21 October 2011	4.590	**3,500,000**	3,500,000
22 October 2006 to 21 October 2011	4.590	**747,000**	1,330,000
18 August 2009 to 17 August 2014	3.320	**1,032,000**	4,718,000
17 January 2010 to 16 January 2014	6.972	**625,000**	625,000
17 January 2011 to 16 January 2014	6.972	**625,000**	625,000
17 January 2012 to 16 January 2014	6.972	**1,250,000**	1,250,000
8 May 2010 to 7 May 2015	2.160	**8,030,659**	13,712,986
8 May 2011 to 7 May 2015	2.160	**12,499,655**	13,712,986
8 May 2012 to 7 May 2015	2.160	**12,499,690**	13,713,028
21 October 2010 to 20 October 2015	3.600	**2,612,000**	6,210,000
11 February 2011 to 10 February 2016	2.910	**1,650,330**	–
11 February 2012 to 10 February 2016	2.910	**1,650,330**	–
11 February 2013 to 10 February 2016	2.910	**1,650,340**	–
23 July 2011 to 22 July 2016	4.670	**9,992,992**	–
23 July 2012 to 22 July 2016	4.670	**9,992,992**	–
23 July 2013 to 22 July 2016	4.670	**9,993,016**	–
11 October 2011 to 10 October 2016	6.810	**666,666**	–
11 October 2012 to 10 October 2016	6.810	**666,666**	–
11 October 2013 to 10 October 2016	6.810	**666,668**	–
		133,246,004	101,842,000

The fair values of the options granted during the year on 11 February 2010, 23 July 2010 and 11 October 2010 are estimated at HK$1.29, HK$1.95 and HK$2.9, per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK$2.91, HK$4.67 and HK$6.81 at the respective dates of grant, respective exercise prices of HK$2.91, HK$4.67 and HK$6.81, standard deviation of expected share price returns of 60% to 65%, expected life of options of 3 to 5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 0.8% to 1.8%. The volatility measured at the standard deviation of expected share price returns is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the dates of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

31. Reserves

Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Hedging reserve HK$'000	Legal reserve (note a) HK$'000	Investment reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 1 January 2010	**16,671,841**	**4,395**	**70**	**(5,890)**	**45,631**	**19,192**	**62,873**	**135,062**	**(9,158,796)**	**7,774,378**
Profit for the year	–	–	–	–	–	–	–	–	**898,455**	**898,455**
Other comprehensive income										
Change in fair value of non-current investments	–	–	–	–	–	**11,528**	–	–	–	**11,528**
Currency translation differences	–	–	–	–	–	–	–	**25,270**	–	**25,270**
Derecognition of cash flow hedges	–	–	–	**5,890**	–	–	–	–	–	**5,890**
Total comprehensive income for the year	–	–	–	**5,890**	–	**11,528**	–	**25,270**	–	**42,688**
Transactions with equity holders										
Issue of shares upon exercise of share options	**47,567**	–	–	–	–	–	**(13,014)**	–	–	**34,553**
Fair value of share options granted	–	–	–	–	–	–	**51,423**	–	–	**51,423**
Share options lapsed	–	–	–	–	–	–	**(295)**	–	**295**	–
Transfer to legal reserve	–	–	–	–	**77,391**	–	–	–	**(77,391)**	–
At 31 December 2010	**16,719,408**	**4,395**	**70**	–	**123,022**	**30,720**	**100,987**	**160,332**	**(8,337,437)**	**8,801,497**
At 1 January 2009	16,670,415	4,395	70	(2,717)	45,631	11,448	59,952	142,826	(10,314,553)	6,617,467
Profit for the year	–	–	–	–	–	–	–	–	1,149,113	1,149,113
Other comprehensive income										
Change in fair value of non-current investments	–	–	–	–	–	7,744	–	–	–	7,744
Currency translation differences	–	–	–	–	–	–	–	(7,764)	–	(7,764)
Change in fair value of cash flow hedges	–	–	–	(3,173)	–	–	–	–	–	(3,173)
Total comprehensive income for the year	–	–	–	(3,173)	–	7,744	–	(7,764)	–	(3,193)
Transactions with equity holders										
Issue of shares upon exercise of share options	1,426	–	–	–	–	–	(18)	–	–	1,408
Fair value of share options granted	–	–	–	–	–	–	31,243	–	–	31,243
Share options lapsed	–	–	–	–	–	–	(28,304)	–	6,644	(21,660)
At 31 December 2009	16,671,841	4,395	70	(5,890)	45,631	19,192	62,873	135,062	(9,158,796)	7,774,378

Note:

(a) A subsidiary of the Group, incorporated in Macau and limited by shares, is required under the Macau Commercial Code No. 432 to set aside a minimum of 10% of this subsidiary's profit after taxation to the legal reserve until the balance of the reserve reaches a level equivalent to 25% of the subsidiary's capital. Amount of HK$108,022,000 (2009: HK$77,391,000) will be transferred from retained earnings to the legal reserve upon approval by the shareholders of this subsidiary at the next annual general meeting. Legal reserve is not distributable.

31. Reserves (Continued)

Company

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 1 January 2010	**16,671,841**	**235,239**	**70**	**62,873**	**(9,930,958)**	**7,039,065**
Loss for the year	**–**	**–**	**–**	**–**	**(452,820)**	**(452,820)**
Transactions with equity holders						
Issue of shares upon exercise of share options	**47,567**	**–**	**–**	**(13,014)**	**–**	**34,553**
Fair value of share options granted	**–**	**–**	**–**	**51,423**	**–**	**51,423**
Share options lapsed	**–**	**–**	**–**	**(295)**	**103**	**(192)**
At 31 December 2010	**16,719,408**	**235,239**	**70**	**100,987**	**(10,383,675)**	**6,672,029**
At 1 January 2009	16,670,415	235,239	70	59,952	(9,903,526)	7,062,150
Loss for the year	–	–	–	–	(34,076)	(34,076)
Transactions with equity holders						
Issue of shares upon exercise of share options	1,426	–	–	(18)	–	1,408
Fair value of share options granted	–	–	–	31,243	–	31,243
Share options lapsed	–	–	–	(28,304)	6,644	(21,660)
At 31 December 2009	16,671,841	235,239	70	62,873	(9,930,958)	7,039,065

As at 31 December 2010, no reserves of the Company were available for distribution to shareholders (2009: nil).

32. Borrowings

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Bank loans				
Secured (note a)	**4,615,411**	20,980	**–**	–
Unsecured	**843,225**	155,443	**565,000**	–
	5,458,636	176,423	**565,000**	–
Other borrowings				
Guaranteed notes (note b)	**–**	2,972,300	**–**	–
Convertible notes (note c)	**1,180,869**	1,077,224	**1,180,869**	1,077,224
Fixed rate bonds – unsecured (note d)	**1,573,794**	–	**1,573,794**	–
Bank loans and other borrowings	**8,213,299**	4,225,947	**3,319,663**	1,077,224
Obligations under finance leases (note e)	**1,212,933**	1,617,244	**–**	–
Total borrowings	**9,426,232**	5,843,191	**3,319,663**	1,077,224
Current portion included in current liabilities	**(1,587,340)**	(1,342,045)	**(1,180,869)**	–
Short term bank loans	**(695,385)**	(41,443)	**(565,000)**	–
	(2,282,725)	(1,383,488)	**(1,745,869)**	–
	7,143,507	4,459,703	**1,573,794**	1,077,224

(a) The bank loans of HK$4,615 million (2009: HK$21 million) are secured by:

(i) property, plant and equipment with net book value of HK$11,497 million (2009: HK$15 million);

(ii) leasehold land and land use rights with net book value of HK$2,961 million (2009: HK$209 million);

(iii) other assets with net book value of HK$245 million (2009: nil);

(iv) bank deposits of HK$59 million (2009: HK$54 million); and

(v) shares of certain subsidiaries of the Group (note 44(a)) (2009: nil).

In addition, cash and bank balances of the Group of approximately HK$1,438 million (2009: Nil) are designated to be used for the servicing of a specific bank loan, operating costs and expenses, financing the construction and development of Galaxy Macau™ resort at Cotai and StarWorld Hotel and other specified purposes in accordance with the loan agreements.

32. Borrowings (Continued)

(b) On 14 December 2005, the Group, through its subsidiary, Galaxy Entertainment Finance Company Limited, issued guaranteed senior fixed rate and floating rate notes with aggregate principal amount of US$600 million (the "Guaranteed Notes"). The fixed rate guaranteed senior notes with nominal value of US$350,000,000 bear fixed interest at 9.875% per annum and will be fully repayable on 15 December 2012. The floating rate guaranteed senior notes with nominal value of US$250,000,000 bear interest at six-month US Dollar London Inter-Bank Offering Rate plus 5% and are fully repayable on 15 December 2010. The Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

During the year ended 31 December 2009, The Group redeemed US$144 million principal amount of the floating rate notes and US$69 million principal amount of the fixed rate notes, at an aggregate amount of US$127 million, resulting in a gain on buyback of HK$624 million.

During the year ended 31 December 2010, the Group redeemed the remaining US$106 million principal amount of the floating rate notes and US$281 million principal amount of the fixed rate notes, at an aggregate amount of US$401 million resulting in a loss on buyback of HK$133 million.

(c) On 14 December 2006, the Company issued zero coupon convertible notes (the "Convertible Notes") with an aggregate principal amount of US$240 million (approximately HK$1,872 million). The Convertible Notes are unsecured, do not carry any interest and have a maturity date of 14 December 2011. Subject to the terms of the Convertible Notes, the holders have the option to convert the Convertible Notes into ordinary shares of the Company at any time on or after 14 June 2007 up to the maturity date at the initial conversion price of HK$9.36 per share, subject to adjustment. The conversion price is reset to HK$7.44 pursuant to the terms of the Convertible Notes. Unless previously redeemed and cancelled, or converted, the Convertible Notes will be redeemed at 100% of their principal amount on the maturity date. The Group may, at its option at any time after 14 December 2007 and prior to the maturity date, redeem the Convertible Notes in whole or in part, at 100% of their principal amount subject to the terms of the Convertible Notes.

During the year ended 31 December 2009, the Company redeemed US$75 million principal amount of its Convertible Notes at a consideration of US$35 million, resulting in a gain on buyback of HK$191 million.

The fair value of the derivative under the Convertible Notes was estimated at the issue date by reference to the Binomial model. The excess of net proceeds over the fair value of the derivative component is recognised as a liability.

The liability under the Convertible Notes and the derivative component recognised in the balance sheet are analysed as follows:

	2010 HK$'000	2009 HK$'000
Liability under the Convertible Notes		
At beginning of the year	**1,077,224**	1,433,585
Redeemed during the year	**–**	(459,442)
Exchange difference	**3,980**	625
Interest expense	**99,665**	102,456
At end of the year	**1,180,869**	1,077,224

32. Borrowings (Continued)

(c) (Continued)

Interest expense on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 9.23% (2009: 9.23%).

	2010 HK$'000	2009 HK$'000
Derivative component		
At beginning of the year	**101,044**	6,820
Redeemed during the year	**–**	(2,131)
Change in fair value	**286,058**	96,295
Exchange difference	**140**	60
At end of the year (note 22)	**387,242**	101,044

The fair value of the derivative component is determined by reference to the Binomial model. The significant assumptions used in the calculation of the fair values are as follows:

(i) The valuation is based on the assumption that the Convertible Notes will continue without default, delay in payments and no earlier redemption.

(ii) The expected volatility of 43% (2009: 82%) of the share price of the Company is based on the share price movements for the last two years.

(iii) The risk free rate is based on the yield of Exchange Fund Notes as at the respective dates, with maturity in accordance with the life of the Convertible Notes.

(iv) The expected dividend paid out rate is 0.1% (2009: 0.1%) during the life of the Convertible Notes.

(d) Fixed rate bonds – unsecured

In December 2010, the Company issued fixed rate senior unsecured bonds in an aggregate amount of RMB 1.38 billion. The senior unsecured bonds bear fixed interest at 4.625% per annum and will be fully repayable in December 2013. The fixed rate bonds are listed on the SEHK.

32. Borrowings (Continued)

(e) Obligations under finance leases

At 31 December 2010, obligations under finance lease represented land premium payable to the Macau government in respect of the outstanding instalment payable for a piece of land in Cotai, Macau under the concession contract amounting to HK$1,213 million (2009: HK$1,617 million).

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**451,105**	451,105	**404,311**	404,311
Between one to two years	**451,105**	451,105	**404,311**	404,311
Between two to five years	**451,106**	902,211	**404,311**	808,622
	1,353,316	1,804,421	**1,212,933**	1,617,244

(f) The borrowings are repayable as follows:

	Group							
	Bank loans		Convertible notes		Guaranteed notes		Fixed rate bonds	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**697,545**	157,603	**1,180,869**	–	**–**	821,574	**–**	–
Between one to two years	**415,138**	2,160	**–**	1,077,224	**–**	–	**–**	–
Between two to five years	**2,094,424**	6,480	**–**	–	**–**	2,150,726	**1,573,794**	–
Over five years	**2,251,529**	10,180	**–**	–	**–**	–	**–**	–
	5,458,636	176,423	**1,180,869**	1,077,224	**–**	2,972,300	**1,573,794**	–

32. Borrowings (Continued)

(f) (Continued)

	Company					
	Bank loans		Convertible notes		Fixed rate bonds	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**565,000**	–	**1,180,869**	–	**–**	–
Between one to two years	**–**	–	**–**	1,077,224	**–**	–
Between two to five years	**–**	–	**–**	–	**1,573,794**	–
	565,000	–	**1,180,869**	1,077,224	**1,573,794**	–

(g) The effective interest rates per annum of the borrowings as at balance sheet date are as follows:

	2010				2009			
	HK$	**RMB**	**US$**	**MOP**	HK$	RMB	US$	MOP
Bank loans	**4.6%**	**5.7%**	**–**	**–**	2.6%	5.5%	–	–
Guaranteed Notes	**–**	**–**	**–**	**–**	–	–	9.8%	–
Convertible Notes	**–**	**–**	**9.2%**	**–**	–	–	9.2%	–
Fixed rate bonds	**–**	**5.7%**	**–**	**–**	–	–	–	–
Obligations under finance lease	**–**	**–**	**–**	**5%**	–	–	–	5%

(h) The exposure of the Group's bank loans and floating rate notes to interest rate changes and the contractual repricing dates or maturity (whichever is earlier) are as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
6 months or less	**5,399,395**	997,997	**565,000**	–

32. Borrowings (Continued)

(i) The carrying amounts and fair value of the borrowings are as follows:

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Bank loans	**5,458,636**	176,423	**5,458,636**	176,423	**565,000**	–	**565,000**	–
Guaranteed notes	**–**	2,972,300	**–**	3,040,065	**–**	–	**–**	–
Convertible notes	**1,180,869**	1,077,224	**1,225,488**	1,059,867	**1,180,869**	1,077,224	**1,225,488**	1,059,867
Fixed rate bonds	**1,573,794**	–	**1,643,881**	–	**1,573,794**	–	**1,643,881**	–
Obligations under finance lease	**1,212,933**	1,617,244	**1,255,314**	1,634,090	**–**	–	**–**	–
	9,426,232	5,843,191	**9,583,319**	5,910,445	**3,319,663**	1,077,224	**3,434,369**	1,059,867

The fair value of the borrowings is calculated using cash flows discounted at prevailing borrowing rates or based on quoted market price. The carrying amounts of floating rate notes and other current borrowings approximate their fair value.

(j) The carrying amounts of borrowings are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Hong Kong dollar	**5,254,235**	134,980	**565,000**	–
US dollar	**1,180,869**	4,049,524	**1,180,869**	1,077,224
Renminbi	**1,778,195**	40,794	**1,573,794**	–
Macau Patacas	**1,212,933**	1,617,893	**–**	–
	9,426,232	5,843,191	**3,319,663**	1,077,224

33. Deferred Taxation Liabilities

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of the year	**271,884**	267,224
Charged to income statement	**5,671**	4,660
At end of the year	**277,555**	271,884

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same authority. The above liabilities shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts.

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation liabilities/(assets) are as follows:

	Depreciation allowance	**Tax losses and others**	**Fair value adjustments**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008	26,449	(8,281)	249,056	267,224
(Released)/charged to income statement	(2,220)	10,356	(3,476)	4,660
At 31 December 2009	24,229	2,075	245,580	271,884
Charged/(released) to income statement	627	8,520	(3,476)	5,671
At 31 December 2010	**24,856**	**10,595**	**242,104**	**277,555**

Deferred taxation assets of HK$153,695,000 (2009: HK$138,625,000) arising from unused tax losses and other temporary differences totalling of HK$1,161,624,000 (2009: HK$1,097,779,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK$49,516,000 (2009: HK$86,280,000) have no expiry date and the remaining balance will expire at various dates up to and including 2015.

34. Provisions

	Group		
	Environment restoration HK$'000	Quarrying right HK$'000	Total HK$'000
At 31 December 2008	89,984	65,620	155,604
Additions	26,156	–	26,156
Charged to the income statement	1,079	17,740	18,819
Applied during the year	(14,044)	(21,800)	(35,844)
At 31 December 2009	103,175	61,560	164,735
Reversal of provision	(78)	–	(78)
Charged to the income statement	1,238	17,740	18,978
Applied during the year	(12,030)	(21,800)	(33,830)
At 31 December 2010	**92,305**	**57,500**	**149,805**

The current portion of the provisions amounting to HK$34,655,000 (2009: HK$34,957,000) is included under other creditors.

35. Creditors and Accruals

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Trade creditors (note a)	**1,050,050**	1,246,633	**–**	–
Other creditors	**2,195,880**	842,945	**–**	–
Chips issued	**1,268,935**	1,008,662	**–**	–
Loans from non-controlling interests (note b)	**49,119**	50,675	**–**	–
Accruals and provision	**666,478**	958,904	**36,271**	14,130
Deposits received	**13,153**	7,730	**–**	–
	5,243,615	4,115,549	**36,271**	14,130

35. Creditors and Accruals (Continued)

(a) The ageing analysis of trade creditors of the Group based on the invoice dates is as follows:

	2010 HK$'000	2009 HK$'000
Within one month	**611,223**	841,830
Two to three months	**91,645**	77,764
Four to six months	**51,000**	41,586
Over six months	**296,182**	285,453
	1,050,050	1,246,633

The carrying amounts of trade creditors of the Group are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Macau Patacas	**59,006**	98,984
Renminbi	**167,932**	162,635
Hong Kong dollar	**706,932**	962,425
Other	**116,180**	22,589
	1,050,050	1,246,633

(b) The loans payable of HK$12,286,000 (2009: HK$12,231,000) are unsecured, carrying interest at prevailing market rate and have no fixed terms of repayment. The remaining are unsecured, interest free and have no fixed terms of repayment.

36. Notes to Consolidated Cash Flow Statement

Reconciliation of profit before taxation to cash generated from operations

	2010 HK$'000	2009 HK$'000
Profit before taxation	**959,261**	1,233,379
Finance costs	**59,142**	138,993
Change in fair value of derivative under the convertible notes	**286,058**	96,295
Share of profits less losses of jointly controlled entities and an associated company	**(141,009)**	(85,972)
Depreciation and amortisation	**510,519**	541,097
Change in fair value of investment properties	**(10,300)**	(2,200)
Loss on disposal of property, plant and equipment	**20,576**	5,723
Loss on disposal of intangible assets	**–**	588
Unrealised loss/(gain) on listed investments	**14,669**	(19,558)
Gain on disposal of a subsidiary	**–**	(148,385)
Net loss/(gain) on buyback of guaranteed notes	**133,175**	(623,838)
Gain on buyback of convertible notes	**–**	(191,267)
Impairment of property, plant and equipment	**11,770**	–
Impairment of non-current investments	**–**	2,853
Interest income	**(9,951)**	(17,902)
Gross earnings on finance lease	**(4,708)**	(9,663)
Dividend income from listed and unlisted investments	**–**	(1,143)
Fair value of share options granted	**51,423**	9,584
Reversal of provision for other liabilities	**(9,588)**	–
Operating profit before working capital changes	**1,871,037**	928,584
(Increase)/decrease in inventories	**(2,293)**	9,202
Decrease in debtors and prepayments	**128,420**	717,390
Increase in creditors and accruals	**372,645**	231,328
Increase in amounts due to jointly controlled entities	**19,606**	3,809
(Increase)/decrease in amounts due from jointly controlled entities and an associated company	**(4,462)**	272
Cash generated from operations	**2,384,953**	1,890,585

37. Capital Commitments

	Group	
	2010 **HK$'000**	2009 HK$'000
Contracted but not provided for	**2,126,830**	937,194
Authorised but not contracted for	**2,573,747**	3,947,994

The Group's share of capital commitment in jointly controlled entities is as follows:

	Group	
	2010 **HK$'000**	2009 HK$'000
Contracted but not provided for	**32,036**	113,150
Authorised but not contracted for	**–**	–

38. Operating Lease Commitments

The future aggregate minimum lease rental expense in respect of land and buildings and equipments under non-cancellable operating leases is payable in the following periods:

	Group	
	2010 **HK$'000**	2009 HK$'000
First year	**37,628**	37,486
Second to fifth years inclusive	**26,247**	44,610
After the fifth year	**87,264**	89,185
	151,139	171,281

39. Operating Lease Rental Receivable

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following periods:

	Group	
	2010 **HK$'000**	2009 HK$'000
First year	**28,613**	17,564
Second to fifth years inclusive	**102,081**	36,990
After the fifth year	**49,484**	8,047
	180,178	62,601

40. Related Party Transactions

Significant related party transactions carried out in the normal course of the Group's business activities during the year are as follows:

(a) Interest income from jointly controlled entities amounted to HK$5,055,000 (2009: HK$5,041,000) at prevailing market rate (note 26(a)).

(b) Management fee received from jointly controlled entities amounted to HK$6,413,000 (2009: HK$3,506,000) at terms agreed among the parties.

(c) Rental expenses of HK$2,037,000 (2009: HK$1,992,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties.

(d) The balances with jointly controlled entities and an associated company are disclosed in notes 26 and 25(c).

(e) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. The total remuneration of the key management is shown below:

	2010 **HK$'000**	2009 HK$'000
Fees	**600**	503
Salaries and other allowances	**22,013**	17,953
Discretionary bonuses	**11,203**	295
Retirement benefits	**1,221**	1,011
Share options	**12,880**	10,602
	47,917	30,364

41. Guarantees

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK$10,001 million (2009: HK$855 million), of which HK$5,278 million (2009: HK$250 million) have been utilised.

The Company has executed an indemnity in favour of K. Wah International Holdings Limited ("KWIH"), a shareholder of the Company, in respect of a performance guarantees executed by KWIH to a subsidiary of the Company.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to HK$9 million (2009: HK$9 million). At 31 December 2010, facilities utilised amounted to HK$9 million (2009: HK$9 million).

42. Post Balance Sheet Events

Subsequent to the year end, all convertible notes with an aggregate principal amount of US$165 million (approximately HK$1,287 million) (note 32(c)) as at 31 December 2010 have been converted into ordinary shares of the Company.

43. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 30 March 2011.

44. Principal Subsidiaries, Jointly Controlled Entities and Associated Company

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital: Number of issued ordinary shares	Issued share capital: Number of non-voting deferred shares	Issued share capital: Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong						
Bright Advice Limited	Hong Kong	10,000	–	HK$1	100	Investment holding
Doran (Hong Kong) Limited	Hong Kong	1,000	–	HK$10	100	Sale and distribution of concrete pipes
Earnmark Limited	Hong Kong	1	–	HK$1	100	Investment holding
Forcecharm (Hong Kong) Enterprises Limited	Hong Kong	10,000	–	HK$1	80	Investment holding
Galaxy Entertainment Management Services Limited	Hong Kong	1	–	HK$1	100	Provision of management services
K. Wah Asphalt Limited	Hong Kong	1,100,000	–	HK$10	100	Manufacture, sale, distribution and laying of asphalt
K. Wah Concrete Company Limited	Hong Kong	2	1,000	HK$100	100	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	HK$10	100	Provision of management services
K. Wah Construction Materials (Shaoguan) Investment Company Limited	Hong Kong	2	–	HK$1	100	Investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	HK$100	100	Manufacture, sale and distribution of concrete products
K. Wah Materials Limited	Hong Kong	28,080,002	–	HK$1	100	Trading
K. Wah Quarry Company Limited	Hong Kong	200,002	100,000	HK$100	100	Sale of aggregates
KWP Quarry Co. Limited	Hong Kong	9,000,000	–	HK$1	63.5	Quarrying
Lightway Limited	Hong Kong	2	2	HK$1	100	Property investment
Master Target Limited	Hong Kong	2	–	HK$1	100	Investment holding
Quanturn Limited	Hong Kong	2	–	HK$1	100	Equipment leasing
Rainbow Country Limited	Hong Kong	2	–	HK$1	100	Investment holding
Starflow Enterprises Limited	Hong Kong	1	–	HK$1	100	Investment holding
Supreme World Investments Limited	Hong Kong	1	–	HK$1	100	Investment holding
View Faith Limited	Hong Kong	10	–	HK$1	100	Investment holding
Wealth Build Limited	Hong Kong	10	–	HK$1	100	Investment holding

44. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Wholly-owned foreign enterprise				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK$10,000,000	100	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Guangzhou) Co., Ltd.	Guangzhou	HK$1,560,000	100	Provision of management services
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	US$350,000	100	Provision of management services
Shanghai Jia Shen Concrete Co., Ltd.	Shanghai	RMB20,000,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K. Wah Qingsong Concrete Co., Ltd.	Shanghai	US$2,420,000	100	Manufacture, sale and distribution of ready-mixed concrete
深圳嘉華混凝土管樁有限公司	Shenzhen	US$2,100,000	100	Manufacture, sale and distribution of concrete piles
京港嘉華諮詢(北京)有限公司	Beijing	HK$1,500,000	100	Provision of management services
Cooperative joint venture				
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US$2,800,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	RMB17,400,000	60	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	100	Manufacture, sale and distribution of ready-mixed concrete and provision of quality assurance service
Equity joint venture				
Liupanshui Shougang K. Wah Bohong Construction Materials Company Limited	Liupanshui	RMB22,600,000	27.5	Manufacture, sale and distribution of slag
Qianan Shougang K. Wah Construction Materials Company Limited	Qianan	RMB111,900,000	55	Manufacture, sale and distribution of slag
Sanhe Shougang K. Wah Construction Materials Company Limited	Sanhe	RMB92,190,000	41.25	Manufacture, sale and distribution of slag
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US$4,000,000	60	Manufacture, sale and distribution of ready-mixed concrete

44. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in the British Virgin Islands					
Canton Treasure Group Ltd.	Macau	10	US$1	100*	Investment holding
Cheer Profit International Limited	Macau	10	US$1	100	Property investment
Eternal Profits International Limited	Hong Kong	10	US$1	100	Property investment
Fast Vision Limited	Hong Kong	10	US$1	100	Investment holding
Forcecharm Investments Limited	Hong Kong	10	US$1	80	Investment holding
Galaxy Entertainment Aviation CL2010 Limited	Macau	10	US$1	Equity: 90 Profit sharing: 100	Aircraft owning
Galaxy Entertainment Finance Company Limited	Macau	10	US$1	Equity: 90 Profit sharing: 100	Financing
Galaxy Entertainment Finance (Galaxy Macau) Limited	Macau	10#	US$1	Equity: 90 Profit sharing: 100	Financing
GCSA Finance (2010) Company Limited	Macau	10	US$1	Equity: 90 Profit sharing: 100	Financing
GEG Finance (2010) Company Limited	Hong Kong	10	US$1	100	Financing
High Regard Investments Limited	Hong Kong	20	US$1	100	Investment holding
K. Wah Construction Materials Limited	Hong Kong	10	US$1	100*	Investment holding
Profit Access Investments Limited	Hong Kong	10	US$1	100	Investment holding
Prosperous Fields Limited	Hong Kong	10	US$1	100	Investment holding
Right Grand Investments Limited	Hong Kong	100	US$1	80	Investment holding
Taksin Profits Limited	Hong Kong	17	US$1	100	Investment holding

* Wholly owned and directly held by the Company.

\# The shares have been pledged to secure the Group's banking facilities (Note 32(a)).

44. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

(a) Subsidiaries (Continued)

Name of Company	Principal place of operation	Number of quota	Registered share capital	Percentage of equity held by the Group	Principal activities
Incorporated in Macau					
Galaxy A Hotel Macau Limited	Macau	2#	MOP25,000	Equity: 90 Profit sharing: 100	Hospitality
Galaxy Casino, S.A.	Macau	951,900	MOP1,000	Equity: 90 Profit sharing: 100	Casino games of chance
Galaxy Cotai Project Management Limited	Macau	2#	MOP25,000	Equity: 90 Profit sharing: 100	Provision of project management services
GM Hotel Management Limited	Macau	2#	MOP25,000	Equity: 90 Profit sharing: 100	Provision of hotel management services
K. Wah Construction Materials (Macau) Company Limited	Macau	3	MOP30,000	100	Trading
K. Wah (Macao Commercial Offshore) Company Limited	Macau	1	MOP100,000	100	Trading
New Galaxy Entertainment Company Limited	Macau	2#	MOP25,000	Equity: 90 Profit Sharing: 100	Property holding
StarWorld Hotel Company Limited	Macau	2#	MOP100,000	Equity: 90 Profit Sharing: 100	Property holding and hospitality

The quotas have been pledged to secure the Group's banking facilities (Note 32(a)).

44. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

(b) Jointly controlled entities

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong					
AHK Concrete Limited	Hong Kong	1,000,000	HK$1	50	Manufacture, sale and distribution of ready-mixed concrete

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Anhui Masteel K. Wah New Building Materials Co., Ltd.	Maanshan	US$8,389,000	30	Manufacture, sale and distribution of slag
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Baoshan	RMB316,250,000	25.6	Manufacture, sale and distribution of cement
Beijing Shougang K. Wah Construction Materials Co., Ltd.	Beijing	RMB50,000,000	40	Manufacture, sale and distribution of slag
Guangdong Shaogang Jia Yang New Materials Co., Ltd.	Shaoguan	US$6,000,000	35	Manufacture, sale and distribution of slag
K. Wah Materials (Huidong) Limited	Huidong	US$8,800,000	50	Quarrying
Maanshan Masteel K. Wah Concrete Co., Ltd.	Maanshan	US$2,450,000	30	Manufacture, sale and distribution of ready-mixed concrete
Nanjing Nangang K. Wah High Tech Materials Co., Ltd.	Nanjing	RMB116,000,000	40	Manufacture, sale and distribution of slag
Qinhuangdao Shouqin K. Wah Construction Materials Co., Ltd.	Qinhuangdao	RMB60,000,000	50	Manufacture, sale and distribution of slag
Qujin Kungang & K. Wah Cement Construction Materials Co., Ltd.	Qujin	RMB374,520,000	32	Manufacture, sale and distribution of cement
Shanghai Bao Jia Concrete Co., Ltd.	Shanghai	US$4,000,000	50	Manufacture, sale and distribution of ready-mixed concrete
Shaoguan City New Shaogang Jia Yang New Materials Co., Ltd.	Shaoguan	US$5,000,000	35	Manufacture, sale and distribution of slag
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Kunming	RMB825,000,000	25.6	Manufacture, sale and distribution of cement

44. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

(c) Associated Company

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong					
AHK Aggregates Limited	Hong Kong	2,000,000	HK$1	36.5	Quarrying